

Isolated DNA upheld as patentable subject matter under US law

The patentability of isolated DNA under U.S. law has been hotly debated over the past year and a half. Given the stakes—hundreds of millions in profit for Myriad Genetics, the lives and livelihood of women unable to afford Myriad's tests, and decades of established law and industry practice, it seems likely that this case will continue to the highest reaches of our judicial system. We comment below on the latest development in the case: the opinion of our highest patent court, the Federal Circuit, on isolated DNA as patentable subject matter.

On July 29, 2011, the U.S. Federal Circuit ruled that isolated DNA, and related methods, are patentable subject matter

under 35 U.S.C. 101. See *The Association for Molecular Pathology et al., Case 2010-1406* (Fed. Cir. 2011). After upholding plaintiff's standing to bring suit, Justices Lourie and Moore focused on U.S. Supreme Court case law and the unique chemical properties of isolated DNA over genomic DNA in reaching the majority decision. In contrast, Justice Bryson's dissent focused on DNA as an information molecule, indicating that similarities in information provided by nucleotide sequences of isolated and genomic DNA render isolated DNA an unpatentable product of nature. These opinions exemplify a long-established dichotomy of DNA qualities perceived under U.S. law.

continued on page 3

The Scramble to Acquire Mobile Technology Patents Heats Up

An interesting trend has developed in the arena of patents covering mobile technology and technologies that can be used in smartphones and tablet computers that is leading to the stockpiling of these patents to use in a defensive manner against claims of patent infringement. By design, a patent provides the patent owner with the right to exclude others from practicing the claimed invention, but does not itself provide the patent owner with an unencumbered right to practice and commercialize an invention free of concern of infringement allegations by others. Practicing a new invention can require the in-

corporation of other devices, processes or methods, themselves the subject of patents. Accordingly, practicing the patented invention may infringe upon the rights of others.

In a field crowded with patented innovations, such as the mobile technologies field, it becomes increasingly difficult to develop and fully practice new innovations, which themselves may be patented, without running some risk of possibly infringing the patent of another. As smartphones and tablet computers

continued on page 2

Xerox Corporation v. Google Inc. and Yahoo! Inc.

This case presents an instructive but not crystal clear ruling regarding the common interest privilege as applied to patentees and third parties. Tacked onto a case primarily involving patent claim construction, this ruling examines certain factors related to the common interest privilege in connection with business relationships and intellectual property contracts. While relying on these case-specific factors to make its decision, the court comes to a reasoned conclusion in this particular

case, but leaves room for additional common interest privilege arguments in future, slightly different cases.

Xerox Corporation filed this patent infringement claim against Google and Yahoo! in 2010. Also involved was IPValue Management, Inc. ("IPValue"), a third party to communications for which Xerox claimed privilege. After discussing various issues of claim construction, the

continued on page 2

Abercrombie asks Jersey Shore cast to stop wearing the brand

Celebrity endorsements are usually highly sought. Superstars like Oprah Winfrey and—once upon a time—Tiger Woods command millions to tout a product. In addition, sometimes just being associated with superstars can be valuable and help build brand awareness. Entire television shows and magazine sections are devoted to what fashions various celebrities are wearing and red carpet interviews almost always include questions about a celebrity's dress and jewelry designers. A celebrity's unsolicited or casual mention of a product on a talk show can sometimes lead to significant sales spikes. Likewise, candid photographs of celebrities can drive sales of such things as the cellphone they are seen using, the headphones they wear and, most often, the clothes they wear. Accordingly, these indirect endorsements can be just as important to a brand owner as more traditional endorsement-for-pay relationships.

continued on page 2

China Awakens to the Value of Intellectual Property

For many years, international companies have been fighting, with varying degrees of success, against Chinese businesses who copy their products and pirate their intellectual property. For example, Apple has not prevented Chinese consumers from enjoying the benefits of its iPhone 5 through a hot-selling copycat, "hiPhone," available almost a month before the iPhone 5's official launch. But as is increasingly the case, many Chinese companies are starting to innovate on their own, and are also protecting and enforcing their own IP rights for the brands they create. These activities, and not IP piracy, have begun to affect international companies' market shares in China. These new, more legitimate business practices have given rise to a vast number of trademark applications in China, and the number is

continued on page 3

Abercrombie (continued from page 1)

Abercrombie & Fitch is a clothing company that markets mostly toward the under-30 crowd. Its clothing tends to be trendy and its marketing edgy. *Jersey Shore* is a reality television show on MTV that chronicles the lives, travels, antics and parties of eight twenty-somethings sharing a summer house on the shore of New Jersey. The show features drinking, parties, arguing, fighting, sex and more of the same. *Jersey Shore* has been criticized as sexist, as derogatory toward Italian-Americans and for glamorizing irresponsible drinking and sex. The Governor of New Jersey has denounced the show as insulting to the state. Of course, all of this makes the show immensely popular. The most recent premier garnered almost nine million viewers and *Jersey Shore* is now MTV's top rated program. The cast make appearances on talkshows and have their own huge fan followings on Facebook and Twitter.

The *Jersey Shore* cast and viewers fall right within Abercrombie & Fitch's primary demographic. In fact, one of the cast members, Michael "The Situation" Sorrentino, occasionally wore Abercrom-

bie & Fitch clothing on the show. With *Jersey Shore* hitting Abercrombie & Fitch's demographic and the star power of the cast, such exposure should likely be highly desirable.

However, in an uncommon twist on the celebrity endorsement, Abercrombie & Fitch recently made news by offering Mr. Sorrentino and the rest of the *Jersey Shore* cast "a substantial payment" to *not* wear its clothing. Indeed, in a recent press release Abercrombie & Fitch stated it believed association with the show would be contrary to the nature of its brand and "could cause significant damage to our image."

A significant element in building a strong brand is protecting that brand. More often than not, this means policing against infringement or counterfeiting. However, protecting the image of the brand is just as important. Abercrombie & Fitch shows that sometimes even free tacit endorsement and publicity like that from *Jersey Shore* characters wearing its brand can be as potentially damaging to that brand as an infringer.

—Mark A. Nields

Xerox (continued from page 1)

court resolved the discovery dispute between the parties in Xerox's favor. The court based its decision on two primary factors; first, the content of the agreements between Xerox and IPValue, and second, the timing of the execution of the contracts between the parties.

The Defendants sought production of various documents evidencing communications between Xerox and IPValue, a company created to help patentees make commercial use of their inventions by streamlining the patent licensing process. Xerox had listed these documents on its privilege log and did not produce them. IPValue had entered into several agreements with Xerox whereby IPValue would

serve as Xerox's worldwide agent for IP licensing and patent enforcement, an arrangement the court ruled clearly encompassed preparation for litigation. In addition, IPValue's compensation was based on a contingency fee, and thus according to the court the two companies shared a common interest in the litigation that went beyond that of a merely commercial relationship. Therefore, both parties had an expectation that communications between them and related to litigation would be kept confidential and privileged.

The court also paid careful attention to the timing of the creation of the documents in dispute. The court decided that the documents were privileged in part because

continued on page 3

The Scramble (continued from page 1)

embody more and more features drawn from traditional, standalone devices this issue becomes more significant to developing new products. Rather than engage in lengthy and costly patent infringement law suits, patents amongst competitors are often times cross-licensed to amicably resolve infringement allegations. The lynch pin to effectively practicing this litigation-avoidance strategy is having a significant patent portfolio at your disposal to cross-license.

While a traditional "arms race" is supported by building and stockpiling more "arms," the supply of patents is limited. Patent portfolios available for acquisition and covering mobile technologies or technology that can be utilized in a mobile device are hard to come by and are clearly a hot commodity. Earlier this year, a consortium, including Apple and Microsoft, acquired 6000 patents of the now-defunct Nortel for approximately \$4.5 billion. The stock price of InterDigital Inc. recently sky-rocketed upwards 60% after companies, including Google considered acquisition of the King of Prussia, Pennsylvania-based wireless technology company. (InterDigital share price shed those gains once the planned Google-Motorola Mobility deal was announced.) Earlier this summer Google acquired over 1000 International Business Machines patents covering a variety of technologies that can be utilized in the mobile device industry. Most recently Eastman Kodak has begun shopping its portfolio of imaging patents to take advantage of the mobile technology manufacturers' growing appetite for patents.

It will be interesting to see if this trend continues to heat up, morphs into something else as the list of available portfolios begins to shrink or levels off and establishes a status quo.

—Sean Swidler

Xerox (continued from page 2)

they were all created after Xerox and IPValue had executed their agreements. In so ruling, the court distinguished a similar case, *Leader v. Facebook*, in which the documents in question were created when the parties were still negotiating at arm's length. In that case, as opposed to the present case, the party claiming the privilege had only a commercial interest in the litigation, an insufficient standard for which to claim privilege.

This ruling creates a model for actual or potential litigants going forward, in that they can now have a better idea of which documents are subject to the common interest privilege based on the content and timing of their agreements with third parties. However, there are some unanswered questions. For example, the court does not set any hypothetical benchmarks for claiming privilege in these circumstances but merely refers to factors in the present case, so it is unclear if certain factors, such as a contingency fee arrangement or a broad, rather than narrow, scope of business would be dispositive of this issue in other cases. In this regard, the court merely stated that "the relationship between the two entities is sufficiently imbued with common legal interests in that it plainly relates to litigation." The required quantity or quality of "legal interests" remains undefined. Also, the court does not compare the content of the agreements involved in the present case and in *Leader*, and instead just discusses the timing of the agreements in the respective cases, leaving open the question of whether documents created before a final agreement could ever fall under the common interest privilege. Despite the information this ruling provides, this issue is likely to come up again in the future, as more complex business relationships arise involving the increasingly complicated landscape of IP rights.

—Daniel Lano

Isolated DNA (continued from page 1)

This dichotomy, and ramifications thereof, is perhaps best addressed in Justice Moore's concurring opinion. Her opinion first provides support for the majority's assessment of DNA as a chemical, and then states that but for the long-standing practice of treating isolated DNA as patentable subject matter, similar uses for isolated DNA and genomic DNA sequences might convince her to view isolated DNA as an unpatentable product of nature. Justice Moore's approach considers both aspects of the molecule equally, but ultimately weighs in favor of the man-made aspects and chemical nature of isolated DNA.

Given the long-standing precedent in this case, the fact that even one Federal Circuit justice was persuaded that isolated DNA is not patentable subject matter is striking. Justice Bryson throws all caution to the winds, stating that if the USPTO has made a mistake for 35 years in granting patents directed to isolated DNA, now is the time for correction, and the devil with the consequences to industry and inventors. His perspective is reminiscent of District Court Judge Sweet, who when balancing profits with lives, overturned

U.S. patent monopoly principles to allow women cheaper testing alternatives. Justice Bryson qualified his statement as referring only to prior USPTO/administrative decisions, not those of the courts; and noted that while the USPTO did not sign the DOJ's brief, the DOJ speaks for the USPTO.

The majority opinion gamely addresses various "thought-provoking" hypotheticals posed against the patenting of isolated DNA. Perhaps most famously, the majority finds that the DOJ's "magic microscope" test¹ fails to take into account fundamental differences between isolated and genomic DNA, and thus fails to understand differences between science and invention. As indicated in our May 2011 newsletter, we found the DOJ's position problematic at best, and believe the Federal Circuit properly dismissed, in the words of Justice Moore, this "child-like" test.

We will continue to report on developments in this fascinating case, as they may occur.

—Valerie Neymeyer-Tynkov

¹ Under the Department of Justice (DOJ) "magic microscope" test, if an imaginary microscope could focus in on a claimed DNA molecule as it occurs in the body, then that molecule is an unpatentable product of nature under 35 U.S.C. 101.

China (continued from page 1)

increasing. For example, trademark data recorded in China in fiscal year 2010 showed at least 1 million trademark applications filed in China, the most in any country in the world in the past nine years, many of which were filed by Chinese parties. Many of these trademark applications are undoubtedly still related to unfair competition practices, but there is evidence to suggest that a significant number of these applications foreshadow the future of independent Chinese brands and innovation.

As is still the case, IP registrations in China generally fall into two separate categories, one in which applicants simply try to register a mark that is very similar to a famous brand to free-ride on that brand's reputation, and the other, which is based on independent marketing and innovation. For instance, a Chinese company might apply for a long phrase mark, but with "Microsoft in Chinese" embedded into the mark, or use the wording "A Microsoft-Look-alike Computer" in its registration.

continued on page 4

China *(continued from page 3)*

Sometimes, a company or an individual with no affiliation to a famous brand will register that famous brand as a Chinese trademark, only to try to sell the trademark to the rightful owner of the brand in order to make a profit. An increasing number of legal weapons are available to fight against these infringements or unfair competition activities. The Chinese government is putting more emphasis on deterring and punishing these actions with new legal developments, including more efficient and effective enforcement of these new laws.

As for the other category of new applications, Chinese companies are genuinely starting to innovate on their own. Instead of borrowing from famous companies' already established techniques or trademarks, an increasing number of Chinese companies are now focusing on developing their own brands to compete in the world market. For example, Huawei, ZTE, Lenovo and TCL have won considerable international recognition for their internationally competitive products and servic-

es. Although many commentators, government officials and business owners alike believe that it is better that Chinese companies are starting to create their own brands rather than copying others, these same people wonder how China is increasingly stepping into the role of a global competitor.

First, the Chinese government has been active in supporting and urging domestic companies to use techniques and intelligence applied by personnel who are the product of China's rapidly expanding educational system. On the financial front, the government has begun to assist small startups that may have strong ideas and know-how but lack capital, to resolve their financial difficulties. Second, companies are beginning to recognize that the best way to keep their businesses profitable and lasting is by innovation and adaptation to new and emerging technologies and markets, rather than by copying the innovations of others. Third, IP rights are not something that most Chinese people or businesses either utilized or had sig-

nificant knowledge of twenty years ago, and with education, information and new IP laws becoming more prominent in China, Chinese business owners and companies have realized ways to protect their hard-won gains in the marketplace, and to use IP laws to encourage, rather than to merely copy, innovative ideas and branding.

If China can give rise to more legitimate international companies that can both innovate and protect their creations, ideas and brands, the hope is that the rampant IP piracy in China will greatly diminish. If Chinese brands really can gain a foothold in the marketplace, international companies will face more challenges when entering into the Chinese market. The hope is that these challenges will come from legitimate business practices rather than through stealing, copying or unfair competition. After all, the marketplace winner should be the one with the best products and services.

— *Linda Lei and Daniel Lano*