

Generative AI And Patent Considerations

By James W. Soong

All of us have been exposed to and perhaps even overwhelmed by news about generative artificial intelligence (AI). Unlike machine learning technology that merely classifies or predicts, generative AI creates. Industry stalwarts and startups alike have launched generative models that can create new text, images, video, 3D models, and even software code — with the promise of more powerful and disruptive innovations to soon follow. A patent strategy informed by the unique considerations raised by generative AI will optimize protections for innovations in the field. Patent strategies should reflect the current legal landscape as well as anticipate potential future legal developments.

PATENT CLAIMS AND INVENTORSHIP

The Federal Circuit in *Thaler v. Vidal*, No. 2021-2347 (<https://bit.ly/43iJrU8>), recently confirmed that an inventor under the patent statute must be a natural person. In this case, Thaler filed with the U.S. Patent Office two patent applications in which artificial intelligence was identified as the inventor. Without regard to the nature of the invention, the Federal Circuit categorically rejected this characterization of inventorship.

continued on page 5

All Is Not Fair In Love and Warhol

By Jonathan Moskin

Courts have said time and again that the fair use doctrine may be “the most troublesome in the whole law of copyright.” See, e.g., *Oracle Am., Inc. v. Google Inc.*, 886 F.3d 1179, 1191 (Fed. Cir. 2018) [internal citations omitted], *rev’d on other grounds*, 141 S. Ct. 1183 (2021). The Supreme Court’s May 18, 2023 decision, which seeks to clarify what is or is not “transformative use” under the law, affirmed *The Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, 11 F.4th 26 (2d Cir. 2021), finding no fair use. In the process, the Supreme Court adds a new layer of analysis in deciding what is or is not fair. The decision has also generated considerable controversy between Justice Sotomayor, who wrote for the majority, and Justice Kagan, who wrote a stinging dissent. What is clear is that the label “transformative” is no longer a get-out-of-jail-free card; instead, a new balance must be struck between the new use and the exclusive right of authors to make derivative works, and part of that balance includes a clearer focus on the statutory fair use factors (education, comment and criticism) as well as the commercial nature or not of the new work. As a practical matter, how much the decision changes in this “troublesome” area remains to be seen.

In *Andy Warhol Found.*, iconic pop-artist Andy Warhol made a series of silk screens and drawings based on a photograph of Prince, taken by Lynn Goldsmith (in particular adding some of his recognizable flourishes). Both the original and the reworked photos were used as magazine covers. The Second Circuit had overturned the district court grant of summary judgment of fair use, holding instead that, Warhol infringed the copyrighted photograph. The Second Circuit concluded the district court erroneously focused on the subjective meanings of the works, reasoning instead that “the court cannot assume the role of art critic and seek to ascertain the intent behind or meaning of the works at issue.” 11 F.4th at 41. Said the court:

Though it may well have been Goldsmith’s subjective intent to portray Prince as a “vulnerable human being” and Warhol’s to strip Prince of that humanity and instead display him as a popular icon, whether a work is transformative

continued on page 2

In This Issue

All Is Not Fair In
Love and Warhol 1

Generative AI and
Patent Considerations 1

IP Considerations
For ITC General
Exclusion Orders 3

Securing License for
Internet Artificial
Intelligence 7

PRESORTED
STANDARD
U.S. POSTAGE
PAID
LANGHORNE, PA
PERMIT 114

Warhol

continued from page 1

cannot turn merely on the stated or perceived intent of the artist or the meaning or impression that a critic — or for that matter, a judge — draws from the work. Were it otherwise, the law may well “recogniz[e] any alteration as transformative.” [Citation omitted.] *Id.*

By contrast, for instance, the Ninth Circuit recently held in *Seltzer v. Green Day*, 725 F.3d 1170 (9th Cir. 2020), that incorporation of plaintiff’s poster art into a music video was a fair use because the *subjective* meaning of the later use differed from the original. Other examples of disparate outcomes could be cited.

The Supreme Court has now held that subjective meaning alone does not render a work transformative. “Whether the purpose and character of a use weighs in favor of fair use is, instead, an objective inquiry into what use was made, i.e., what the user does with the original work.” *Slip op.* at 33. Moreover, the Court added new layers of analysis to the framework articulated in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) — in particular the fact that *Campbell* involved a parody (critical of the underlying work) whereas Warhol’s reworking did not. *Campbell* of course involved a rap group’s parody of Roy Orbison’s 1960s song “Oh, Pretty Woman.” Applying the first element of the four-part test of fair use (*i.e.*, the “purpose and character of the use”), the Court there asked whether the challenged work was “transformative,” *i.e.*, whether it “supersede[s] the objects’ of the original creation, ... or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message ...” *Id.* at 579. (Citations omitted.) (The other three elements of the fair use

Jonathan Moskin is a partner in the New York office of Foley & Lardner LLP and a member of this newsletter’s Board of Editors. © Jonathan E. Moskin, 2023.

analysis — namely, the nature of the original work; the amount taken and the effect on the original — were not raised on appeal by Andy Warhol Found. *Slip op.* at 38. Because the rap parody at issue in *Campbell* was a parody, critical of the Roy Orbison original, the Court concluded that the rap version “reasonably could be perceived as commenting on the original or criticizing it, to some degree.” 510 U.S. at 583.

Andy Warhol Found. further narrowed the focus of the fair use analysis not only to objective differences but also objective differences that reflect the “purposes” listed in the preamble paragraph of §107: ‘criticism, comment, news reporting, teaching ..., scholarship, or research.’” *Slip op.* at 15. Exemplifying the distinction between parody (which involves criticism) and satire (which does not), *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997), found no fair use in a satirical use of “The Cat in the Hat” as a vehicle to retell (in Seussian meter) the story of the O.J. Simpson murder trial. “Satire,” the Ninth Circuit explained, “is a use of a work or other subject matter as a means to comment on or criticize something *other than that work or subject matter*, whereas “parody” is a use of a work or subject matter in order *to comment on or criticize the thing itself*. Just as “The Cat NOT In the Hat!” was using the Seussian rhyming meter and style NOT to comment on Dr. Seuss, but to sell a book about the OJ Simpson trial, the Supreme Court concluded that Andy Warhol added his signature flourishes to Goldsmith’s original photos not to comment on *those photos* but rather simply to offer his own views of the artist Prince (or to sell his own art).

Indeed, he did so for his commercial benefit. Warhol’s gloss on Goldsmith also failed because both used the Prince portrait to depict Prince in magazine stories about Prince. Both the original photograph and the Warhol version the “share[d] substantially the same purpose.” *Slip op.* at 12-13. “Moreover,” said the Court,

continued on page 6

The Intellectual Property Strategist®

EDITOR-IN-CHIEF Howard J. Shire
Troutman Pepper
New York
ASSISTANT EDITOR Jeffrey S. Ginsberg
Patterson Belknap Webb & Tyler LLP
New York
ASSISTANT EDITOR Gregg A. Paradise
Lerner, David, Littenberg,
Krumholz & Mentlik, LLP
Westfield, NJ
MANAGING EDITOR Steven Salkin, Esq.
GRAPHIC DESIGNER Rajnish Kumar Ranjan

BOARD OF EDITORS

CHRISTOPHER P. BUSSERT Kilpatrick Townsend & Stockton, LLP
Atlanta
J. GREGORY CHRISMAN ... Pearne & Gordon LLP
Cleveland, OH
MORGAN CHU Irell & Manella, LLP
Los Angeles
CEDRIC G. DELACRUZ ... The Hartford
Hartford, CT
MICHAEL A. EPSTEIN Weil, Gotshal & Manges, LLP
New York
STEPHEN W. FEINGOLD ... Kilpatrick Townsend & Stockton, LLP
New York
MARCUS S. HARRIS Taft Stettinius & Hollister LLP
Chicago
DAVID L. HAYES Fenwick & West, LLP
San Francisco
ERIN HENNESSY Haynes and Boone LLP
New York
KYLE-BETH HILFER Kyle-Beth Hilfer, P.C.
Chappaqua, NY
JONATHAN E. MOSKIN ... Foley & Lardner LLP
New York
VERONICA MULLALLY MUÑOZ Pearl Cohen Zedek Latzer Baratz
New York
BITA RAHEBI Morrison & Foerster LLP
Los Angeles, CA
MATTHEW W. SIEGAL Dilworth & Barrese
Woodbury, NY
ALEX SIMONSON Simonson Associates, Inc.
Englewood Cliffs, NJ
JOHN SLAFSKY Wilson Sonsini Goodrich & Rosati
Palo Alto, CA
JAMES W. SOONG Sheppard Mullin Richter & Hampton LLP
Palo Alto, CA

The Intellectual Property Strategist® (ISSN 1079-2422) is published by Law Journal Newsletters, a division of ALM Global. © 2023 ALM Global. All rights reserved. No reproduction of any portion of this issue is allowed without written permission from the publisher. Telephone: 800-756-8993; Editorial e-mail: salkin@alm.com Circulation e-mail: customer@alm.com Reprints: www.almreprints.com

POSTMASTER: Send address changes to:
ALM Global
150 East 42nd Street, Mezzanine Level
New York, NY 10017

Published Monthly by:
Law Journal Newsletters
1617 JFK Boulevard, Suite 1750, Philadelphia, PA 19103
www.ljonline.com



IP Considerations For ITC General Exclusion Orders

By Daniel Muino, Brian Busey and Nomin-Erdene Jagdagdorj

The broadest remedy that the International Trade Commission (ITC or the Commission) can deliver under 19 U.S.C. §1337 (Section 337) is a General Exclusion Order (GEO), which blocks importation of all infringing goods regardless of source, even by importers who were not respondents in the ITC investigation. GEOs are more difficult to obtain than the more common Limited Exclusion Order (LEO) as they require additional proof either that an LEO will not be enough to stop the infringing imports or that there is a widespread pattern of violation of the asserted IP.

In recent years, the ITC has issued more GEOs than in the past. For IP owners facing infringing imported products from numerous elusive sources, a GEO can be a powerful remedy to tackle all infringing products at once. For importers of products potentially im-

Dan Muino is Partner with Morrison Foerster in the Washington DC office. He is an intellectual property litigator and trial lawyer with two decades of experience litigating patent, trade secret, and copyright matters in federal courts around the country and at the ITC. He is also an editor of the *MoFo@ITC* guide to Section 337 investigations. He can be reached at dmuino@mofo.com. **Brian Busey** is a Senior Counsel in Morrison Foerster's Intellectual Property Group. Based in the Washington DC office, Brian's practice focuses on complex intellectual property matters — particularly those before the ITC. He can be reached at gbusey@mofo.com. **Nomin-Erdene Jagdagdorj** is an associate in Morrison Foerster's IP Litigation group, also based in Washington, DC. She can be reached at njagdagdorj@mofo.com.

plicated by a requested GEO, the GEO can be a major threat even if the importer is not a respondent in the case.

GROWTH IN NUMBER OF GEOs

Between 2006 and 2019, the number of GEOs averaged 3.5 per fiscal year, with an outlier peak of 7 GEOs issued in 2012, and all other years at 5 GEOs or fewer per year. In the past three years, however, the annual average has risen to more than 7.7 per year, with 10 GEOs issued in 2020 and 9 in 2022.

While the number of LEOs has also trended upwards, GEOs seem to be increasing at a proportionately higher rate. In 2014, the single GEO issued that year comprised 14% of the number of GEOs and LEOs combined. From 2015 through 2019, GEOs were approximately 29% of total exclusion orders. In the last three years, GEOs have been approximately 42% of total exclusion orders. See the chart created by Morrison Foerster from ITC statistics on page 4.

REQUIREMENTS FOR GEOs

The Federal Circuit held in *Kyocera Wireless Corp. v. ITC*, 545 F.3d 1340, 1356 (Fed. Cir. 2008), that LEOs were “[t]he default remedy” under Section 337(d)(2), and that GEOs were “only appropriate if two exceptional circumstances apply.” Under Section 337(d)(2)(A), the Commission may issue a GEO if it is “necessary to prevent circumvention of an exclusion order limited to named persons.” Alternatively, under Section 337(d)(2)(B), the Commission may issue a GEO if “there is a pattern of violation of this section and it is difficult to identify the source of infringing products.”

Likelihood of Circumvention

Under Section 337(d)(2)(A), the complainant must establish a likelihood that an LEO directed to named respondents would be circumvented, warranting the issuance of the broader GEO. Among other factors, the Commission has considered the size, portability, ease of production, and expense of the infringing products when evaluating the risk of

circumvention. In general, smaller products that are easier and cheaper to make pose a greater risk of LEO circumvention, since there may be more small suppliers of such products with the ability to obscure their identities.

Use of “large, online marketplaces” to sell the infringing products can also support the likelihood of circumvention. *Certain Shaker Screens for Drilling Fluids*, Inv. No. 337-TA-1184, Comm’n Op. 5 (Mar. 31, 2021). Such marketplaces enable “foreign distributors to sell directly to United States customers via the Internet,” making it “possible for myriad fly-by-night entities to import infringing products.” *Foldable Reusable Drinking Straws*, Comm’n Op. 9. On such websites, “sellers pop-up, disappear, and then pop-up again under a different name or brand.” *Certain Electronic Shavers*, Inv. No. 337-TA-1230, Comm’n Op. 14 (May 3, 2022).

Sellers may be incentivized to circumvent LEOs where there are high profit margins and/or low barriers to entry. *Certain Vaporizer Cartridges*, Inv. No. 337-TA-1211, Comm’n Op. 9-10 (Mar. 1, 2022). Such conditions allow infringers to “undercut [Complainant] on price, but still make substantial profits.” *Id.*

The Commission has also considered difficulty in identifying sellers or manufacturers under Section 337(d)(2)(A), such as “unmarked, generic, and/or reseller-branded” packaging that has “no apparent origin markings.” *Certain Toner Supply Containers (II)*, Inv. No. 337-TA-1260, Comm’n Op. 13 (Aug. 3, 2022). Other supporting evidence has included: using “resellers and intermediaries with unclear ties to the original manufacturer to distribute infringing product” (*Shaker Screens for Drilling Fluids*, Comm’n Op. 5); using “trade names, shell corporations, false or non-existent addresses” (*Certain Apparatus and Methods of Opening Containers*, Inv. No. 337-TA-1255, Comm’n Op. 10-11 (May 6, 2022)); and changing names and distribution patterns to

continued on page 4

ITC Exclusion

continued from page 3

avoid detection (*Certain Batteries and Products Containing the Same*, Inv. No. 337-TA-1244, Comm'n Op. 20-21 (Sept. 8, 2022)).

Pattern of Violation And Difficulty Identifying Sources

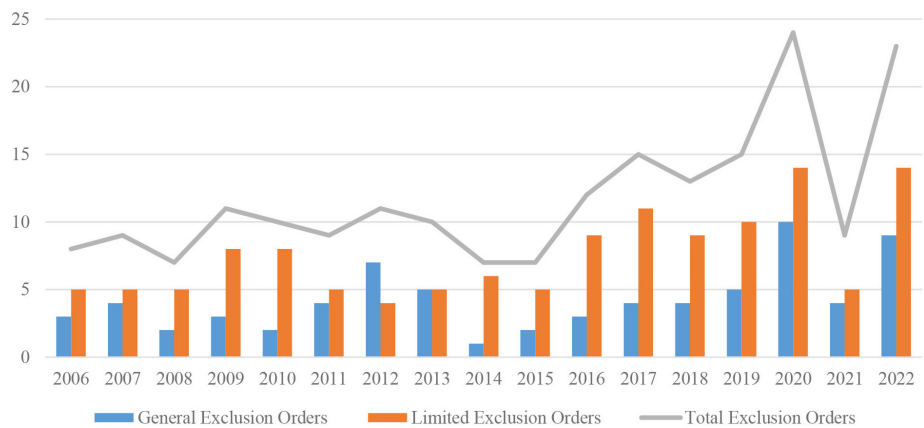
To establish a “pattern of violation” under Section 337(d)(2)(B), the Commission has focused on the volume of infringing products in the marketplace, confusing product and/or package design that can conceal a product’s source, and the number and nature of known suppliers.

Evidence of “non-descript” package design that can confuse the consumer supports a Section 337(d)(2)(B) finding. *Certain Vacuum Insulated Flasks*, Inv. No. 337-TA-1216, Comm'n Op. 9 (Feb. 3, 2022). And while generic packaging can confuse consumers, so too can identical packaging. *Foldable Reusable Drinking Straws*, Comm'n Op. 8 (accused products were “nearly indistinguishable in design” and “the packaging associated with those products is identical and incorporate[s] [complainant’s] own product imagery without authorization”).

When evaluating the requirements of Section 337(d)(2)(B), the Commission has also considered the portability of equipment used to make the infringing products (*Foldable Reusable Drinking Straws*, Comm'n Op. 8); the ease of production (*Certain High-Density Fiber Optic Equipment*, Inv. No. 337-TA-1194, Comm'n Op. 75-76 (Aug. 23, 2021)); and the production capacity of foreign manufacturers (*Toner Supply Containers (II)*, Comm'n Op. 14-15).

Marketplace considerations for Section 337(d)(2)(B) can include evidence of “many rapidly appearing and disappearing manufacturers that sell similar products.” *High-Density Fiber Optic Equipment*, Comm'n Op. 75-76. In *Vaporizer Cartridges*, the Commission noted that even

Number of GEOs and LEOs by Fiscal Year



respondents had “no knowledge of the true identities of their Chinese suppliers, even where Respondents have wired funds directly to them.” Comm'n Op. at 12.

CONSIDERATIONS FOR COMPLAINANTS CONTEMPLATING A GEO

The considerations underlying Sections 337(d)(2)(A) and 337(d)(2)(B) overlap considerably and the Commission usually finds the provisions of both sections to be met when issuing a GEO. Accordingly, complainants typically endeavor to present evidence under both sections.

In general, GEOs may be most appropriate in cases involving smaller, less complex, easily replicated products (e.g., drinking straws or toner cartridges) with numerous foreign suppliers. Online marketplaces make it easier for such products to be sold directly to consumers while concealing the source of the products. *See, Electronic Shavers*, Comm'n Op. at 14 (“anonymity” provided by online sites lends support that an LEO would be circumvented). Products that can be easily designed to mask their source or mimic the patented brand products may be good candidates for GEOs. *See, Foldable Reusable Drinking Straws*, Comm'n Op. 8 (products were “nearly indistinguishable” from brand products and were shipped in “identical” packaging incorporating brand “product imagery”); *Vacuum Insulated Flasks*, Comm'n Op. 9 (products used “generic and non-descript

packaging that omits their names”). In seeking a GEO, complainants should muster evidence establishing the nature of the infringing products, number of suppliers, marketing and sales tactics, and other relevant factors.

Notwithstanding that a GEO will cover all importers of infringing products, a complainant should still endeavor to name as many respondents in its ITC complaint as possible, including respondents who are likely to default. Every recent GEO case has included at least one, but usually many, defaulting respondents. *See, e.g., Toner Cartridges*, Comm'n Op. 16 (21 defaulting respondents); *Vaporizer Cartridges*, Comm'n Op. 9-10 (18 defaulting respondents). While the existence of defaulting respondents “alone is insufficient to establish that a GEO is necessary to prevent circumvention of a[n] LEO directed to respondents found in default,” it can serve as supporting evidence. *Opening Containers*, Comm'n Op. 12. High numbers of defaulting respondents can demonstrate a likelihood of circumvention and a pattern of violation. Also, an inability to serve respondents due to difficulty locating them can support that it is “difficult to identify the source of infringing products.”

It is also advisable for complainants to discuss the GEO evidence with ITC staff attorneys beginning in the pre-filing stage. The Office of Unfair Import Investigations (OUII) represents the public interest in

continued on page 8

AI & Patents

continued from page 1

The decision underscores human innovation as requisite for patent protection in the U.S. The Supreme Court has just refused to hear the case (*see*, <https://bit.ly/42Yn2M4>).

Subject to legal and regulatory developments that appear certain to come, patent strategies relating to generative AI should heed *Thaler*. Current attempts to claim only the output of a generative model could implicate non-human “inventorship” (and of course other issues such as printed matter) and thus lead to patent futility. A more comprehensive claim strategy will yield better results. In this regard, wider focus on training, design, tuning, or application of generative models will better satisfy inventorship requirements to preserve the possibility of patent rights. For example, conduct the disclosure meeting to explore design choices and configurations for a generative model that were selected through human effort. As another example, proceed beyond the generative model output to cover applications or adaptations for which the generative model will be most likely or valuably utilized. Claims scope that extends to cover components of a system incorporating a generative model may be especially relevant when, as current trends indicate, the generative model, whether closed or open sourced, is not homegrown but rather leveraged through a third-party API. Patent claims directed to these considerations, and not to a generative model output alone, cover human innovation, implicate inventorship by a natural person, and secure a path to patent protection.

The requirement of human inventorship is not universal. The Federal Circuit in *Thaler* expressly

Jim Soong is a partner with Shepard Mullin and a member of the Board of Editors of *The Intellectual Property Strategist*. This article reflects the current personal views of the author and is not intended to convey legal advice.

acknowledged that South Africa granted patents for the same patent applications. As generative AI increases in importance around the world, patent systems in other jurisdictions will likely need to also confront and decide the boundaries of inventorship required for patent grant. For example, so far the European Patent Office has required a natural person and the UK Supreme Court is expected to issue a ruling on the issue. As the legal landscape develops, legal requirements in regions of interest relating to generative AI inventions should be periodically reassessed to inform the geographic scope of patent efforts. Companies should know when a patent grant is technically impossible in a particular region due to a failure to meet a local inventorship definition. Otherwise, an uninformed patent application filing in the region and subsequent publication would not only fail from a patent rights perspective but also effect a needless forfeiture of other possible intellectual property rights (*e.g.*, trade secret rights) in the invention.

SUBJECT MATTER ELIGIBILITY

Patent claims directed to artificial intelligence, including generative AI, can raise subject matter eligibility issues. The inherent technical essence of generative AI might initially suggest the absence of *Alice* issues. Given its functional complexity, a generative model does not immediately conjure a mere mathematical concept or mental process, much less a method of organizing human behavior. However, generative AI is susceptible to the same subject matter eligibility issues that have sunk countless patent applications involving various machine learning technologies.

A common defect is claim scope. Many PTAB decisions teach that claims reciting capabilities of machine learning models are subject matter ineligible. For example, the PTAB in one case found claims ineligible after finding that a representative claim included only a “generic machine learning algorithm” to generate an output in an unspecified

manner. *See, Ex parte Hussain*, Appeal No. 2020-005406 (PTAB Feb. 18, 2021). In another case, the PTAB found that claims that expressly recited “machine learning” and its outputs were merely a concept performable by a “generic computer”, sealing the fate of the claims. *See, Ex parte Costello*, Appeal 2021-000658 (PTAB June 7, 2021). In an example relating to generative AI in particular, the PTAB rejected claims directed to a neural network for creating advertisements as ineligible based in part on the absence of implementation details. *See, Ex parte Probell*, Appeal 2021-003686 (Aug. 3, 2022). Many other PTAB decisions likewise have found claims that recited AI or machine learning techniques to be invalid under section 101.

U.S. Patent Office guidelines along with real-life prosecution experience fortunately provide a roadmap to avoid that fate for generative AI inventions. As set forth in Example 39, a discussion of technological challenges overcome by the inventive generative model should be set forth in detail in the patent application (*see*, <https://bit.ly/45kVmCB>). In addition, details regarding training of the generative model, such as feature engineering related considerations and choices, should be described and claimed. A drafting strategy that leverages Example 39 and embraces detail in this manner will help to avoid and overcome subject matter eligibility issues. As discussed, wider claim focus on an application or a system to which a generative model may relate would also help support subject matter eligibility.

PRIOR ART ASSESSMENTS

Pre-filing diligence to assess novelty and nonobviousness of inventions relating to generative AI will continue to be challenging for a host of reasons. For example, the pace of innovation has been and likely will continue to be particularly fast. Thus, the 18 month lag between filing and publication of patent applications, if they are published at all, forecloses a timely picture regarding current know how. As another

continued on page 6

AI & Patents

continued from page 5

example, given developing legal standards regarding generative AI, companies without informed patent strategies may be discouraged from filing patent applications from which prior art knowledge otherwise could be gleaned.

Notwithstanding these factors, a focused prior art search through patent office databases of major jurisdictions with fewer obstacles for patenting generative AI inventions may be productive. Prior art searches through technical papers may be especially helpful to obtain a more current baseline. Actual use of accessible generative AI models may also provide insights into the state of the art. In any event, companies in the generative AI space should appreciate that prior art searches conducted may capture only a fraction of the full extent of activity in the field.

FUTURE OPPORTUNITIES

Legal and regulatory standards around generative AI in the U.S. are likely to feel the influence of policy considerations. The unique power of generative AI to hasten critical scientific, economic, and military innovation enjoys widespread recognition. Some commentators have cautioned that, if *Thaler*-like rules effectively preclude patent protection for certain generative AI creations, such

creations will be vulnerable to unrestricted exploitation by geopolitical rivals of the U.S. This threat may engender policy minded judicial reinterpretations of the patent statute, legislative interventions, or even administrative activism to address these concerns. For example, the US Patent Office is again seeking stakeholder input and public comment on the current state of AI technologies and related inventorship issues. Clearly, the patent system itself acknowledges that core issues remain unsettled yet deserve informed resolution. Thus, copyright questions implicated by generative AI (e.g., fair use), which have received the most significant press attention so far, are not the only pivotal intellectual property issues that require policy level attention.

The recent past provides a lesson: What if decisions almost ten years ago about whether to seek patent protection on vital software innovations relied solely on the Patent Office's first positions on *Alice Corp. v. CLS Bank International*, 573, U.S. 208 (2014)? Accordingly, it may be prudent to anticipate possible future changes or adaptations to the law under which inventions produced by generative AI are not categorically excluded from patent protection. As an example of one type of generative AI innovation, software code would be a potential strong candidate for patent protection should the law allow. Apart from inventorship

issues, the functionality of inventive software code resulting from a generative model would be no less patentable than the software related inventions on which thousands of U.S. patents are granted every year. One interesting consideration regarding a hypothetical patent on code functionality produced by generative AI would relate to enforcement power. Given its availability, open source would likely be a primary component of training data to develop a generative model for code production. Whether a patent on produced code would be encumbered by a typical no enforcement clause of a copyleft license applicable to open source used to train the generative model appears to be a related question raised by generative AI.

CONCLUSION

Generative AI promises to bring fundamental change. A growing number of companies will vie to innovate and lead in this space. As with other technology paradigms, patent protection should play a critical role to secure innovations in generative AI from competitors. The unique and likely changing legal landscape around generative AI complicates formulation of a confident or definitive patent strategy now. However, given explosive growth anticipated for generative AI, companies vested in this technology would be ill-advised to adopt merely a wait and see approach.



Warhol

continued from page 2

“the copying use is of a commercial nature. *Id.* The Court elaborated: “Just as Goldsmith licensed her photograph to *Vanity Fair* for \$400, AWF licensed *Orange Prince* to *Condé Nast* for \$10,000.” *Id.* at 24. The court thus summarized what might be the key takeaway distinguishing its new holding from *Campbell*:

In sum, the first fair use factor considers whether the use of a copyrighted work has a further purpose or different character, which is a matter of degree, and the

degree of difference must be balanced against the commercial nature of the use. If an original work and a secondary use share the same or highly similar purposes, and the secondary use is of a commercial nature, the first factor is likely to weigh against fair use, absent some other justification for copying.

Slip op. at 18-19.

A key reason the Court in *Andy Warhol Found.* limited the scope of what is transformative to the statutory-enunciated fair use considerations was to ensure fair use not overwhelm other separate statutory rights (belonging exclusively to the original author), namely, “the rights

to reproduce the copyrighted work, to prepare derivative works, and, in the case of pictorial or graphic works, to display the copyrighted work publicly. 17 U. S. C. §106.” *Slip op.* at 13. Indeed, as the Court noted, “the word “transform,” though not included in §107 [fair use], appears elsewhere in the Copyright Act. The statute defines derivative works, which the copyright owner has ‘the exclusive righ[t]’ to prepare, §106(2), to include ‘any other form in which a work may be recast, transformed, or adapted,’ §101.” *Slip op.* at 16.

As this author noted in an article published in November 2022, “*Is*

continued on page 8

Securing License for Internet Artificial Intelligence

By Jonathan Bick

As artificial intelligence (AI) increasingly interpenetrates internet transactions, licensing interest expands. The licensing of internet AI intellectual property is stymied because legal difficulties such as the proper assessment of the jurisdiction for the licensing agreement and the nature of the internet including the proper identification of the parties for the licensing agreement. However, the primary issue associated with securing a licensor's consent for internet AI intellectual property is that normally the licensor is a computer program, hence not a legal person.

Legal, business and technological solutions to this difficulty are available. All of these solutions involve modifying the AI's form or output.

Unlike traditional computer software algorithms which limit the code re-write to criteria and biases previously coded by the programmer, AI software code re-write is experience driven and hence free of programmer criteria and biases.

A license is a grant of consent of one party (licensor) to another party (licensee) as an element of an agreement between those parties. A licensor is a legal "person" capable of granting rights. The term "person" is defined in 18 U.S.C. §2510(6) to mean any individual person as well as natural and legal entities. A legal entity holds rights, and each entity has a legal status. Generally, a legal entity is any company or organization that has legal rights and responsibilities, including tax filings. It is a business that can enter

Jonathan Bick is counsel at Brach Eichler in Roseland, NJ, and chairman of the firm's patent, intellectual property, and information technology group. He is also an adjunct professor at Pace and Rutgers Law Schools.

into contracts, either as a vendor or a supplier, and can sue or be sued in a court of law.

Since the vast majority of the output of AI software is newly created software, it is intellectual property protected by copyright law. Thus, the AI owns the new intellectual property. However, the AI which is the creator of new intellectual property is not legally authorized to license it because it is not a legal person.

Since AI computer software is a set of protocols (universally agreed-upon actions) that takes a known set of input data and known responses to the data (as output), and prepares a model to generate reasonable predictions for the response to new data, the AI computer software may be incorporated into a patent. While AI may not be inventors (*see, Thaler v. Vidal*, No. 21-2347 (Fed. Cir. 2022)) because only natural persons (*i.e.*, human beings) can be named as inventors on U.S. patents, thereby excluding artificial intelligence from being listed as an inventor *per se*, the America Invents Act (35 U.S.C. §102) allows the first to file (not first to invent) to be the owner of an invention.

Since the owner is a legal "person," a license for the output of the AI software may be executed and enforced as an inventor of any patent that is applied for and granted over that invention. A patent may be granted for an AI invention when it is new, involves an inventive step, is capable of industrial application, and is not excluded from patent protection.

A company making, using or selling AI tools should also consider its freedom to operate to avoid encroaching on existing patents covering AI innovation. A patent and internet landscape assessment is helpful to mitigate risk.

Due to the worldwide nature of the internet, and the fact that patent rights are limited to specific jurisdictions, internet licensing of internet AI may require more than one patent. Additionally, internet *cul-de-sac* software (*i.e.*, software that limits

licensing via the internet to user where said licensing is enforceable) should be considered.

Additionally, it should be noted that patents provide a time-limited protection for an invention. Consequently, the enforceable term of the license will be limited to the term of the patent (if the patent is the basis for becoming the licensor for the AI intellectual property).

Copyright filing is another source of securing a "legal" person for purposes of licensing AI intellectual property. While the Copyright, Designs and Patents Act 1988 was drafted before licensing AI intellectual property was an issue, it addresses computer-generated works. If there is no human author, Section 9 says that for computer-generated works, "the author shall be taken to be the person by whom the arrangements necessary for the creation of the work are undertaken."

As noted above, the Copyright Act states that the work initially vests in the owner (thus in the AI software for new and additional software which the AI software created). A business/technical work-around to secure a relevant copyright in an AI-generated work is to edit it in a way that you create a new copyrightable work. Once a new work is created, the editor (presumably a person) will have the right to execute and enforce a copyright license.

From a purely technical perspective, firms licensing AI intellectual property may benefit from placing digital locks on their products. Circumvention of digital locks is an offense in some jurisdictions and may provide relief against unauthorized parties.

From a purely business perspective, internet AI intellectual property licensing may benefit from strengthening their brand (trademark), and in so doing differentiating their products competitors and establish a positive market reputation, as well as goodwill. As an adjunct, a trademark registration should be considered.

—❖—

Warhol

continued from page 6

Everything Fair in Love and Warhol? (<https://bit.ly/43jPqIR>), the parties arguing the case presented something of a false dichotomy between subjective and objective meaning. A better question (which the Supreme Court ultimately did ask) is how best to advance the express statutory purposes of criticism, scholarship, parody and so forth in Section 107 without overwhelming the Section 106 exclusive right of the copyright owner to make derivative works. To this author, the problem with the Warhol versions of the Goldsmith photograph was and

is that it is difficult or impossible to say why they are not derivative works. Similarly, *Seltzer v. Green Day*, which found incorporation of plaintiff's poster art into a music video to be fair use given the different subjective meaning of the later use, need not have focused on subjective versus objective meaning but rather whether the new meaning advances the purposes of the fair use doctrine of encouraging criticism, scholarship or otherwise. *Andy Warhol Found.* may rein in the Campbell test a little, but it is not thus a radical departure from precedent (or the statutory language).

So too, much of the commentary following Court's May 18 decision *Andy Warhol Found.* focusing

on Judge Kagan's stinging dissent, should perhaps be seen through the historical lens that the fair use doctrine has always been among "the most troublesome in the whole law of copyright." The sharper objective focus called for by *Andy Warhol Found.* perhaps clarifies but does not radically alter the test under *Campbell* of whether the use "reasonably could be perceived as commenting on the original or criticizing it." What is reasonable will now entail a more objective focus but will continue to leave substantial disagreement in this "troublesome" area of what is fair. The more things change, the more they may also remain the same.

—❖—

ITC Exclusion

continued from page 4

certain ITC investigations. OUII attorneys have been assigned to participate in virtually all recent GEO cases and OUII has often supported complainant's request for a GEO. For instance, in *Opening Containers*, Comm'n Op. at 10-11, OUII argued that a GEO "is necessary to prevent the circumvention of an [LEO]" because "there is ample direct evidence that Defaulting Respondents have operated using multiple identities and are selling what appear to be identical products through different storefronts on multiple different Internet platforms." The Commission agreed with OUII's argument.

CONSIDERATIONS FOR NON-RESPONDENT IMPORTERS FACING A POTENTIAL GEO

For companies in product spaces that could be susceptible to a GEO, it is important to monitor for any ITC complaints filed by competitors seeking a GEO. A GEO "effectively shifts to would-be importers of potentially infringing articles, as a condition of entry, the burden of establishing noninfringement."

Certain Collapsible Sockets for Mobile Electronic Devices, Inv. No. 337-TA-1056, Comm'n Op. 26-27 (July 9, 2018). Since even non-respondents can be impacted by a GEO, a non-respondent company will want to evaluate whether the scope of a new investigation could implicate its products. If so, the company should consider whether to intervene in the investigation to defend its rights. If an importer waits until the remedy stage to seek a carve-out from a GEO, it may be too late, as it was in *Collapsible Sockets. Id.*

Intervention may be particularly important in cases where many, or even all, respondents end up defaulting and therefore the claims are not seriously contested on the merits. Section 337(g)(2) provides that "[w]here no respondents appear in an investigation, the Commission is authorized, subject to consideration of the public interest, to issue a GEO." Two recent examples of GEOs issued under subsection (g)(2) include *Batteries* and *Foldable Reusable Drinking Straws*. While the administrative law judge will still scrutinize complainant's evidence in such a

IP NEWS

Looking for the IP News section? Find a write up and analysis cases in intellectual property law online at <https://bit.ly/3mNeY0S>.

case before recommending a GEO, the respondents' position is obviously at a considerable disadvantage with no one in the case to represent it.

CONCLUSION

A GEO is the most powerful remedy available at the ITC and obtaining one can help protect an IP owner's market share for its patented products. Thorough preparation of supporting evidence and robust discovery will be crucial to satisfying the requirements for issuance of a GEO. For non-respondent importers, vigilance in spotting potentially threatening GEO cases and intervening as necessary can help avoid falling under a GEO.

—❖—

The publisher of this newsletter is not engaged in rendering legal, accounting, financial, investment advisory or other professional services, and this publication is not meant to constitute legal, accounting, financial, investment advisory or other professional advice. If legal, financial, investment advisory or other professional assistance is required, the services of a competent professional person should be sought.

To order this newsletter, call:
800-756-8993

Law.com subscribers receive a 30% discount
on this publication.

Call 877-807-8076 for information.

On the Web at:
www.ljnonline.com