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IP Rights for Data: Mortaring Over the Cracks



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About Our Practices

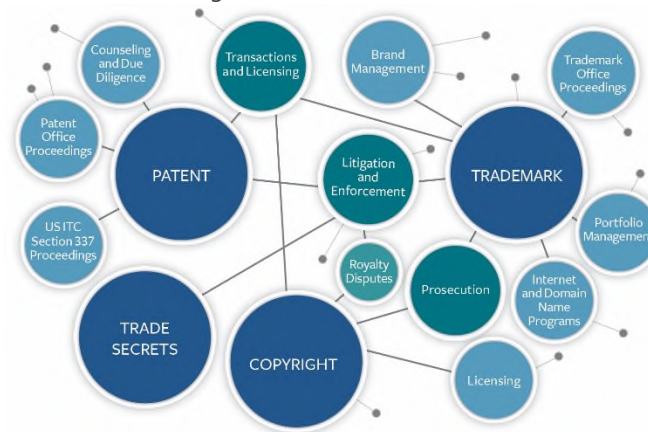
Technology Transactions

- More than 50 lawyers around the world focused on helping clients develop and manage relationships with suppliers of critical services and technology
- Experience in 400 critical services sourcing deals with a total contract value exceeding \$200 billion, including data, digital, outsourcing and software



Intellectual Property

- More than 100 IP professionals around the world protecting, preserving and enforcing the intellectual property rights and assets of the world's most innovative and inventive companies.
- The majority of our lawyers have technical degrees across a diverse set of disciplines, thus we not only know intellectual property law but its practical application to your business and industry—a distinguishing feature of our practice and a distinctive advantage.



Speakers



RICHARD ASSMUS

Richard Assmus is a partner in our Chicago office. He has a balanced intellectual property litigation and transactional practice. He is also closely involved in intellectual property due diligence, patent and technology licensing, trademark prosecution and monitoring, copyright counseling, and advertising counseling. Richard utilizes his background in science and mathematics in connection with complex patent litigation, software, and technology matters.



MARK PRINSLEY

Mark Prinsley is a partner and heads the technology practice in the London office, and is a member of the firm's Cybersecurity & Data Privacy practice. He concentrates on technology transactions, in particular IT projects and outsourcing. A substantial element of Mark's practice involves data protection issues and he has worked extensively for clients in the pensions and financial services sector designing and implementing GDPR compliant systems for the collection and processing of personal data by businesses and related sub-contractors, commercial transactions involving data sharing and reaction to data breach scenarios including managing data breach notifications.



LANA KHOURY

Lana Khoury is an Intellectual Property associate based in New York, and is currently on secondment in Mayer Brown's London office. Lana advises clients on a range of transactional and litigation matters related to intellectual property, technology, data protection, and privacy. Lana's experience includes advising clients on IP and software licenses, data protection, and IP disputes.

Investments in Data



Salesforce acquires Tableau Software in \$15.7 billion deal

“[A] lot of organizations are going to get crushed under the weight of that data whilst many others are going to see brand new opportunities to develop insights and make better decisions based on all of that data.” – Adam Selipsky, Tableau CEO

UK Royal Society report shows increased demand for data science jobs

“Demand for specialized data skills like data scientists and data engineers has more than tripled over 5 years...British economy has high demand for people with data skills, particularly at the high end of the spectrum...”

Agenda

- Types of IP protection for data
- EU database rights
- Contractual provisions
- Predictions for evolution of IP protection in data





Types of IP protection for data

Copyright: US

- Governed by US Copyright Act (1978)
- US Copyright Act protects original expression, which may include works “formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship”
 - Never protects underlying ideas



Copyright: US

- Key case on databases: *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*
 - The effort required to compile data is insufficient to merit copyright protection (no “sweat of the brow”)
 - Selection, coordination, and arrangement must be original
 - “The originality requirement is not particularly stringent” and that “[p]resumably, the vast majority of compilations will pass this test”
- A series of cases following *Feist* actually found some databases subject to protection





Copyright: EU

- Governed by the EU Database Directive 96/9/EC
- “In accordance with this Directive, databases which, by reason of the selection or arrangement of their contents, constitute the author's own intellectual creation shall be protected as such by copyright.”
 - Protection does not extend to the contents of the database
- Database means a "collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means.”
- Level of protection ensured across EU Member States varies

Copyright: EU



- Databases, which are original in that by reason of selection or arrangement of the contents of the database, the database constitutes the author's own intellectual creation, are protected in copyright
- Needs to take a substantial part of the original so protection of small elements of data will not be possible through copyright

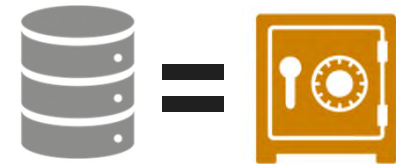
Trade Secret: US

- Governed by state law (statutory (UTSA) and common law) and federal law (as of 2016)
- The US Defend Trade Secrets Act protects data compilations if:
 - The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information.
 - The owner thereof has taken reasonable measures to keep such information secret.



Trade Secret: US

- Databases widely recognized as potential trade secrets
 - *E.g.* customer lists, marketing techniques, price and discount policies
 - Can also extend to underlying methodologies used to gather, select, and refine database
- Will not protect against lawful reverse engineering





Trade Secret: EU



- Governed by the EU Trade Secrets Directive (2016/943)
- The EU Trade Secrets Directive protects trade secrets if:
 - “it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; it has commercial value because it is secret; and it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it a secret”

Trade Secret: EU



- Protection extends to databases and underlying data
- Both substantial and insubstantial parts of the database are protected
- Although the Trade Secrets Directive overlaps with the Database Directive, the two directives are complementary

Comparison: US and EU Intellectual Property Protection for Databases



Copyright

- Requires originality in selection, coordination or arrangement
- Economic value/investment is not a consideration for protection
- Does not evaluate security measures of the database owner
- Copying of a substantial part of the original to constitute infringement



Trade Secret

- Does not require authorship or originality
- Database must have independent economic value
- Requires reasonable security measures to protect the database



Contract



- Particularly relevant when considering the issue of protecting small but very significant pieces of data
- The ex-employee can be subjected to restrictive covenants – provided they are reasonable
- Confidentiality and non-disclosure agreements also provide protection of databases
 - But scope protection from third parties limited

Case Study: *Duggan v. Am. Family Mut. Ins. Co*



- Facts: Former employees of insurance company challenged the enforceability of non-compete covenants and sought determination that entering customer information into a different database was not a violation of trade secrets
- Holding:
 - Enforceability of non-compete: The year-long non-compete covenant was reasonably necessary because:
 - The company invested substantially in the agents and protection of information; and
 - The covenant prohibited agents from inducing a small and identifiable class of customers from violating their policies.

Case Study: *Duggan v. Am. Family Mut. Ins. Co*



- Holding (cont.):
 - Trade secret misappropriation: The database was a protected trade secret because:
 - The database “derived independent economic value from not being generally known to and not being readily ascertainable by proper means”;
 - The database was not just a combination of otherwise publicly available information;
 - Significant steps were taken to keep the information confidential; and
 - Despite not executing explicit confidentiality agreements with the company, the agents would reasonably understand that the information in the database was a trade secret given company requirements (*e.g.*, requiring the agents to take classes on confidentiality of the information and signing an agreement that agents must return all company material or other property upon termination)



Differences in EU database rights



Breach of Confidence



- Legacy rights restrict any misuse of confidential information except in some European countries and exist alongside rights under the EU Trade Secrets Directive
- For example, in the UK rights, in confidential information may be protected even if there is no formal contract and even if the Trade Secrets Directive conditions for protection are not present
- Scope of breach of confidence right will be a national matter to be considered on a case by case basis



Sui Generis Right

- Governed by the EU Database Directive 96/9/EC
- “Member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents to prevent extraction and/or re-utilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database.”

Sui Generis Right



- Databases where the creator has by reason of qualitatively and/or quantitatively made a substantial investment in either the obtaining, verification, or presentation of the contents of the database are protected
- Protects against extraction or reutilization of the whole or a substantial part, evaluated qualitatively or quantitatively, of the contents of the database – maybe protects smaller elements of the database than would be protected in copyright?

The Big Limitation of the Sui Generis Right



- Protects investment in obtaining, verifying, or presenting the contents of the database
- This does not include investment in creating the data
 - Football Fixture Lists – The investment is in the creation of league as opposed to the presentation of the fixture list, therefore the fixture list is not something on which there has been investment justifying a sui generis right for the fixture list
 - Horse Racing Database – Extraction of data to create betting odds, etc. for particular races is not extracting a substantial part of the database in either qualitative or quantitative terms

Case Study: *77M Limited v Ordnance Survey Limited*



- Facts: In this pending case, 77M seeks a declaration of non-infringement by its “Matrix” product of OS’s IP rights. Matrix is a database of geospatial information that uses licensed information, including from OS.
 - 77M claims that OS has not identified to any protectable copyright or database rights it owns that were allegedly infringed

The background features a glowing blue globe with intricate circuit patterns and data points, set against a dark, starry space background. The overall aesthetic is high-tech and digital.

Predictions for evolution of IP protection in data

Protecting Data Going Forward

- IP protection in data will likely require a combination of multiple strategies
 - Altering the structure or content of databases to increase the likelihood of demonstrating creativity
 - Increased reliance on contracts
 - Implement safeguards to prevent unauthorized use



Altering Databases & Copyright

- Companies that wish to seek copyright protection for a database should:
 - Consider the originality in the selection, coordination or arrangement of the database and
 - Document their innovation processes during construction of the database
- Caveats:
 - Individual data points won't be protected
 - Ideas underlying database won't be protected
 - Protection, if available at all, will be thin



Reliance on Contracts

- Companies that wish to protect data via contracts should:
 - Clarify ownership of the data
 - Include reasonable restrictions that are likely to be enforced
- Caveats:
 - Not binding on third parties
 - Remedies for breach may not be sufficient
 - Contract laws vary by jurisdiction



Implementing Safeguards & Trade Secret



- Companies that wish to seek trade secret protection for a database should:
 - Document efforts to meet legal standards
 - Affirmatively act to maintain the confidentiality of trade secrets, including by:
 - Tracking database access
 - Reviewing third-party agreements for confidentiality provisions
 - Monitoring database security measures throughout each project
 - Implement reasonable security measures (e.g., password protection)



Predictions: New Forms of Legal Protection?



- Exclusive property rights
- Unfair competition laws focused on nature of prohibited conduct
- Amendments to the *sui generis* right to include data produced by IoT or AI

Predictions: Revival of Legislation?

- Legislation was previously presented in the House to offer additional database protection, so it is possible that similar legislation could be proposed given the increased investment in big data

The diagram illustrates the structure of H.R. 2652. On the left, a box shows the title page of the bill, which includes the following text:

165TH CONGRESS
2d Session

H. R. 2652

IN THE SENATE OF THE UNITED STATES
Mar. 29, 2018
Received, read twice and referred to the Committee on the Judiciary

AN ACT
To amend title 17, United States Code, to prevent the misappropriation of collections of information.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

On the right, a box shows a detailed view of the proposed Chapter 12 on Misappropriation of Collections of Information, which includes the following text:

7 at the end the following new chapter:

8 **“CHAPTER 12—MISAPPROPRIATION OF**
9 **COLLECTIONS OF INFORMATION**

“Sec.

“1201. Definitions.

“1202. Prohibition against misappropriation.

“1203. Permitted acts.

“1204. Exclusions.

“1205. Relationship to other laws.


“1206. Civil remedies.

“1207. Criminal offenses and penalties.


“1208. Limitations on actions.

10 **“§ 1201. Definitions**


Predictions: Amendments to *Sui Generis* Right?



- *Sui generis* right is not as effective as expected, though recognized as an extra layer of protection against third parties
 - “[I]t seems that the available protection mechanisms (especially contracts) could already be providing enough incentives for the production of databases. Therefore, regardless of the legal uncertainty associated with some concepts included in the instrument, which is in part eased by available case law, the *ex ante* economic value added of the *sui generis* right as such seems to be of limited impact.” EC Staff Working Document: Evaluation of Directive 96/9/EC on legal protection of databases (2018).



Upcoming Webinars



- **September 12:** Managing IP in JVs and Collaboration Agreements
- **November 5:** Contracting for Digital Platform Relationships

Please contact Emily Sullivan at esullivan@mayerbrown.com for further information about these programs.

The background of the slide is a dark blue, futuristic digital landscape. It features a glowing blue globe in the center, overlaid with intricate circuit board patterns and data lines. The lines are bright blue and create a sense of connectivity and technology. The overall aesthetic is clean and modern, typical of a corporate presentation.

Thank you!

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