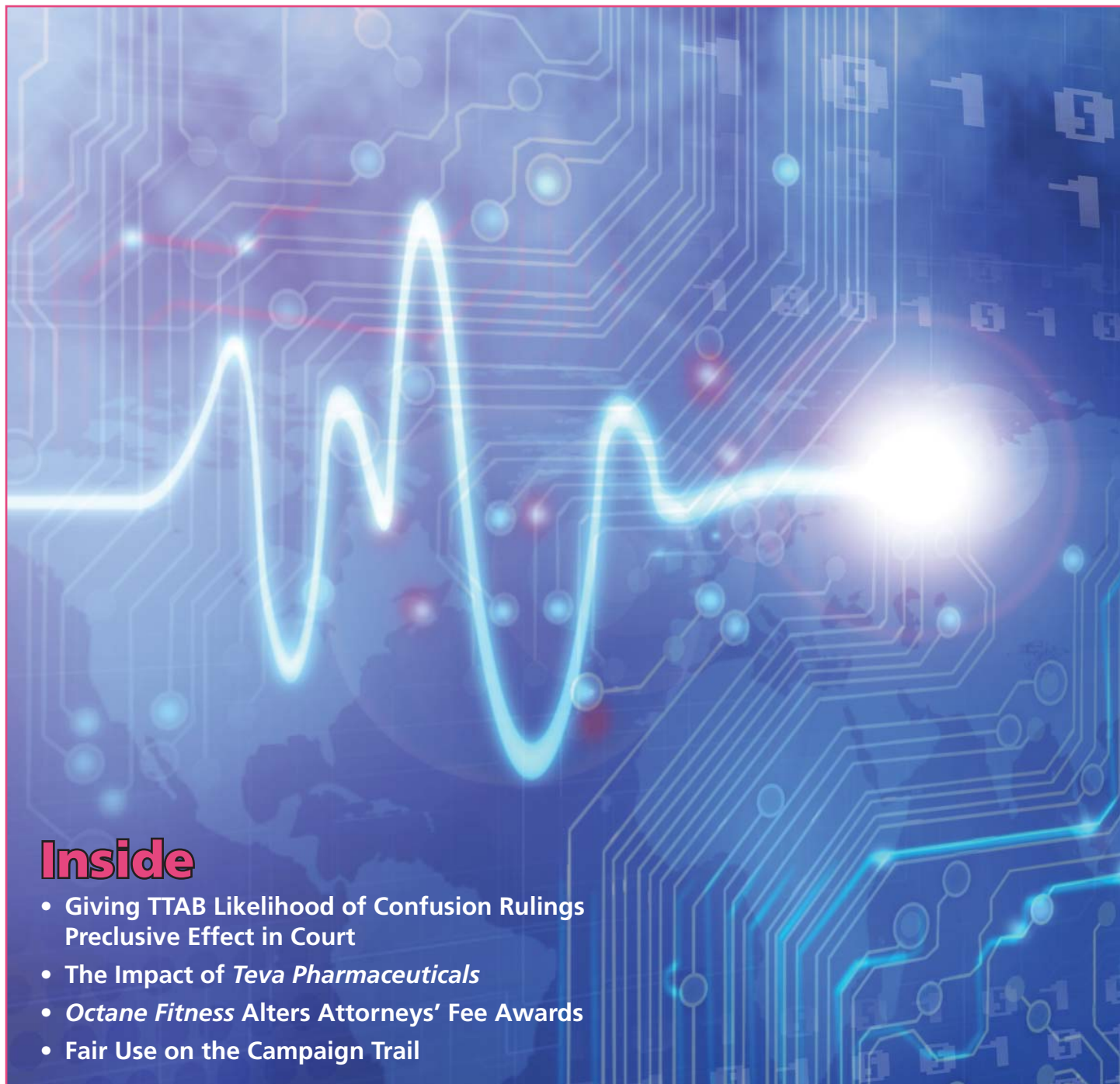


Bright Ideas

A publication of the Intellectual Property Law Section
of the New York State Bar Association



Inside

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- The Impact of *Teva Pharmaceuticals*
- *Octane Fitness* Alters Attorneys' Fee Awards
- Fair Use on the Campaign Trail



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Message from the Chair

As the year draws to a close, we look back on our Section programs during the past year and thank those responsible for organizing and presenting them. The programs included presentations on IP law developments in Cuba and in China, trade secrets, digital native advertising, as well as a day of presentations on diversity and networking in the legal field, in addition to our traditional Annual Meeting and Women in IP events, which are always well received. In holding an average of one new event each month, we reaffirmed our commitment to providing our membership with engaging programming covering cutting-edge IP issues and putting our members in contact with those most familiar with these topics.

We hope to continue this trend by offering a day-long event in November covering IP due diligence. This is a topic that many IP practitioners face at one time or another, often with little guidance other than checklists and boilerplate forms. Presentations will delve into each aspect of a corporate deal and transfer of IP assets, from the reps and warranties in the agreements to the review of assets and ethical considerations in maintaining



attorney-client privilege throughout the transaction. The presenters will discuss what could go wrong and how to make it go right. This clinic should prove valuable to both new practitioners and seasoned IP professionals. It will provide an informative and interactive forum on a very important topic that rarely receives much attention, even though many IP practitioners deal regularly with transactional issues. For more details about this event, see the second page of this issue.

Finally, on behalf of the Section, I would like to send our warm welcome and best wishes to the new NYSBA President, an individual near and dear to the Section who is very well acquainted with IP issues. On June 1, 2015, David P. Miranda commenced his term as the 118th President of the New York State Bar Association. David is a partner in Heslin, Rothenberg, Farley and Mesiti, P.C. in Albany, where he focuses on IP law. David is also a close friend of the IP Law Section, having previously been the NYSBA IP Law Section Liaison, and he has appeared at a number of our events and meetings over the years, notably addressing our Fall IP Law Section Meeting at Lake George in 2014 and attending the Section's 25th Anniversary dinner in 2013.

The IP Law Section congratulates David and wishes him the best for his tenure as NYSBA President.

Charles Weigell

Attention Law Students and Young Lawyers IP SECTION YOUNG LAWYER FELLOWSHIP PROGRAM

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The Intellectual Property Law Section is seeking applications for its Young Lawyer Fellowship Program and is asking members to apply for one of the two two-year positions. This fellowship is designed to provide leadership opportunities for young lawyers and includes free admission to many of the Section's events, opportunity for involvement in planning Section initiatives, invitation to some of the Section's Executive Committee meetings, and more.

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Giving TTAB Likelihood of Confusion Rulings Preclusive Effect in Court: Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc.*

By Jason D. Jones

I. Introduction

The U.S. Supreme Court held last term in *B&B Hardware, Inc. v. Hargis Industries, Inc.*¹ that a decision by the Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office (TTAB) on the issue of likelihood of confusion may preclude a federal court from reaching a contrary conclusion on the issue in a subsequent infringement action. But the key word in the previous sentence is *may*—not *must*—and the Supreme Court went out of its way to explain that “for a great many registration decisions” from the TTAB, “issue preclusion obviously will not apply.”²

While the decision has set the trademark legal community abuzz, it must be noted initially that prior to the Supreme Court’s decision, several federal appellate courts, including the Second Circuit, already had recognized that in certain circumstances a decision by the TTAB could have preclusive effect in later federal court litigation (while a few other federal appellate courts had held that there could be no such preclusive effect). Viewed in this light, the Supreme Court’s ruling in *B&B Hardware* changes little other than taking the rule already applied in some appellate courts and making it a nationwide rule.

But it will be interesting to see how lower federal courts (particularly in circuits that had not previously recognized the potential preclusive effect of TTAB decisions) apply the Supreme Court’s holding. For the time being, the decision will have the likely effect of increasing the importance of TTAB proceedings in the eyes of practitioners and trademark holders, though by how much remains to be seen.

II. Facts and Procedural History of *B&B Hardware*

The underlying dispute dates to the mid-1990s and is full of procedural twists and turns, but the facts of the case, as relevant for present purposes, are relatively straightforward. The plaintiff, B&B Hardware (“B&B”), has since 1993 owned a federal registration for the mark SEALTIGHT for metal fasteners used in the aerospace industry.³ Meanwhile, the defendant, Hargis Industries (“Hargis”), uses the mark SEALTITE for metal fasteners in the construction industry and, in 2002, applied for federal registration of SEALTITE.⁴ B&B opposed registration of SEALTITE in the TTAB, arguing that it was confus-

ingly similar to SEALTIGHT. After the parties engaged in discovery and trial, the TTAB concluded that SEALTITE was confusingly similar to SEALTIGHT and could not be registered.⁵ Hargis did not exercise its statutory right to appeal the TTAB’s decision to the Federal Circuit or to a federal district court.⁶

“[T]he decision [in B&B Hardware] will have the likely effect of increasing the importance of TTAB proceedings in the eyes of practitioners and trademark holders, though by how much remains to be seen.”

B&B also sued Hargis for infringement in federal district court, claiming that Hargis’ use of SEALTITE infringed B&B’s rights in SEALTIGHT.⁷ In light of the TTAB’s finding of a likelihood of confusion, B&B argued to the district court that the TTAB’s decision precluded Hargis from arguing in the district court that there was no likelihood of confusion between the marks.⁸ The district court, however, refused to give preclusive effect to the TTAB’s determination. Ultimately, the jury sided with Hargis, finding no likelihood of confusion.⁹ B&B appealed to the Eighth Circuit, arguing that the district court should have given preclusive effect to the TTAB’s likelihood of confusion finding. But the Eighth Circuit affirmed, holding that because the TTAB looks to different factors than do federal courts in making likelihood-of-confusion determinations, a federal court should never give preclusive effect to a TTAB decision on the likelihood of confusion issue.¹⁰ The Supreme Court accepted the case for review and reversed.

III. The Supreme Court’s Decision

The Supreme Court, in a majority opinion by Justice Samuel A. Alito, Jr., rejected the Eighth Circuit’s per se rule that TTAB decisions can never be entitled to preclusive effect in federal court, holding instead that in some cases the TTAB’s decision may be entitled to preclusive effect. The Supreme Court summarized its ruling as follows: “So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.”¹¹

The “ordinary elements” of issue preclusion are set forth in the Restatement (Second) of Judgments, which states: “When an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim.”¹²

The Eighth Circuit’s primary basis for rejecting issue preclusion for TTAB decisions was its belief that the TTAB’s legal analysis of the issue of likelihood of confusion for purposes of deciding registration is different from the analysis in federal court for infringement.¹³ Thus, according to the Eighth Circuit, the issue of likelihood of confusion for infringement purposes is *never* “actually litigated and determined” by the TTAB. The Supreme Court rejected this notion.¹⁴

First, the Court held that the text of the U.S. Trademark (Lanham) Act provides the same statutory standard to be applied by the TTAB and the federal courts, namely the likelihood-of-confusion standard, and that this standard was not “fundamentally different” as between the TTAB and the federal courts, notwithstanding the fact that some of the specific nuances of the standard differ between the tribunals.¹⁵

Second, the Court analyzed whether, in reality, the TTAB actually applies the same likelihood-of-confusion standard, since the TTAB “typically analyzes the marks, goods and channels of trade only as set forth in the application and the opposer’s registration, regardless of whether the actual usage of the marks by either party differs.”¹⁶ This was a closely watched facet of the case, as it is well-established that the TTAB does not typically look to actual use of the marks made by the parties (particularly the use made by the defendant), while marketplace conditions are *critical* to the likelihood of confusion analysis of district courts in infringement actions. The Court acknowledged this difference, stating that “unlike in infringement litigation,” the TTAB’s “determination that a likelihood of confusion does or does not exist will not resolve the confusion issue with respect to non-disclosed usages”—i.e., real-world usages not listed in the application and registration.¹⁷ But the Supreme Court held that this difference did not require a per se rule that TTAB decisions can *never* be entitled to issue preclusion. Rather, the Court explained that this difference was just “a reason not to apply issue preclusion in some or even many cases.”¹⁸ The Court then went on to state what many view as the key passage in the opinion and the rule for district courts to apply going forward:

If a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court in infringement litigation. By contrast, if a mark owner uses its mark in

ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue. Thus, *if the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decision should have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.*¹⁹

Given the above rule, as well as the TTAB’s repeated statements in precedential cases that it does not look to real-world usage of the parties’ marks in making registration decisions, the Supreme Court explained that “for a great many registration decisions issue preclusion obviously will not apply because the ordinary elements will not be met.”²⁰ Justice Ginsburg noted the same thing in her short concurring opinion:

The Court rightly recognizes that for a great many registration decisions issue preclusion obviously will not apply. That is so because contested registrations are often decided upon a comparison of the marks in the abstract and apart from their marketplace usage. When the registration proceeding is of that character, there will be no preclusion of the likelihood of confusion issue in a later infringement suit. On that understanding, I join the Court’s opinion.²¹

IV. *B&B Hardware* Changes Little in the Second Circuit

As stated above, the Second Circuit has long recognized the principles announced by the Supreme Court in *B&B Hardware*. Specifically, in *Levy v. Kosher Overseers Association of America, Inc.*,²² the Second Circuit was presented with the question of whether a district court was required to give preclusive effect to a TTAB decision finding a likelihood of confusion between two marks in a subsequent infringement litigation concerning the same marks. The Second Circuit rejected such a per se rule. Instead, the court explained that “the standards governing ‘likelihood of confusion’ in [the TTAB]...can be different than the likelihood of confusion standard applicable in trademark infringement actions in a district court” because likelihood of confusion in the TTAB is determined based solely on the marks and goods as they are listed in the at-issue application and registration and not based on “actual usage” in the marketplace.²³ Thus, the court held that a decision of the TTAB on likelihood of confusion is entitled to preclusive effect only “where the [TTAB] has indeed compared conflicting marks in their *entire marketplace context.*”²⁴

Thus, trademark litigators in the Second Circuit have for years already considered the possible preclusive effect of TTAB decisions in counseling clients about the

costs and benefits of instituting TTAB and federal court proceedings.

V. The Future of TTAB and Federal Court Proceedings After *B&B Hardware*

Going forward, particularly in circuits that had not previously recognized the possible preclusive effect of TTAB decisions, the key to whether a TTAB's decision will have preclusive effect will come down to a district court judge determining whether the TTAB considered *any* marketplace usage of the parties' marks and, if it did, whether those usages are "*materially the same*" as the usages at issue in the infringement action.²⁵ The Supreme Court in *B&B Hardware* provided little guidance as to what usages are "*materially*" the same and which are not, but it did provide some helpful hints.

First, the Court explained that "trivial variations" in the parties' marks between the TTAB and federal court would not be sufficient to avoid preclusion—specifically, a party cannot add "descriptive or non-distinctive elements" to its mark to avoid preclusive effect of a TTAB's decision.²⁶ Second, since the Court made clear that "if the TTAB does not consider the marketplace usage of the parties' marks, the TTAB's decision should have no later preclusive effect in a suit,"²⁷ it appears that most, if not all, decisions by the TTAB concerning intent-to-use applications or applications based on foreign registrations for marks that are not yet in use in the United States will not have preclusive effect, since neither of these types of applications involve *any* use by the defendant in the United States for the TTAB to examine.

But with the exception of these few clear principles, the impact of the Supreme Court's decision on cases where there is real-world usage of the mark by the defendant will not be known until we start to see how federal courts and the TTAB apply the decision.

As to the TTAB, we will have to wait and see if, in light of the Supreme Court's implicit approval of the TTAB's procedures and likelihood-of-confusion analysis, the TTAB will begin to consider marketplace usage of the defendant's mark as part of its analysis. Moreover, litigants who are unhappy with TTAB's decisions likely will be more inclined to appeal the decisions to the Federal Circuit or to a federal district court rather than take the risk that a court will hold that the TTAB decision has preclusive effect.

As to the federal courts, an additional legal step will be added in almost every case (both currently pending cases and newly filed cases) in which the parties have previously litigated a TTAB proceeding to conclusion. Specifically, the party that prevailed in the TTAB will no doubt want to argue to the district court that issue preclusion should apply because the "usages adjudicated by the TTAB are materially the same" as the ones before the district court. The losing party before the TTAB obvi-

ously will argue against such preclusion, contending that the usages analyzed by the TTAB are not materially the same as those before the district court. It will be interesting to see how district courts begin to grapple with these arguments and, in particular, whether courts heed the warning of the Court and of Justice Ginsburg that "a great many" of the TTAB's decisions will not be entitled to preclusive effect.²⁸ For example, federal district courts will need to consider whether the following "usages," among others, are materially different such that issue preclusion would not apply to a TTAB decision concerning an application or registration:

- use of the mark together with a "house mark";
- use of the mark as part of a logo;
- use of the mark with distinctive trade dress;
- use of the mark in connection with goods or services not specified in the application or registration or for a broader array or narrower subset of the goods or services specified in the application or registration;
- use of the mark in trade channels different from those specified in the application or registration; or
- targeting goods or services offered under the mark to classes of consumers not specified in the application or registration.

Finally, it would seem that the Supreme Court's decision will have the most impact on the strategies and actions of defendants/applicants in TTAB proceedings and their counsel. Because of the analyses used by the TTAB for likelihood of confusion—i.e., not reviewing real-world usages and acceptance of likelihood-of-confusion surveys that do not employ real-world situations—it is often easier to prove likelihood of confusion in the TTAB than it is in federal courts (as the conflicting results of the TTAB and district court proceedings in *B&B Hardware* demonstrate). As such, at least until the lower federal courts provide clear guidance as to when issue preclusion will not apply, plaintiffs may seek to obtain a favorable decision in the TTAB and then use the threat of preclusive effect in subsequent federal court litigation as leverage for settlement. On the other hand, defendants in TTAB proceedings may wish to try to expand the scope of the proceeding, including by introducing evidence of real-world usages of the parties' marks. Or, as a more drastic measure in higher-stakes proceedings, defendants in TTAB proceedings may be more inclined to file declaratory judgment actions of non-infringement in federal court in response to the filing of a TTAB proceeding and ask the TTAB to suspend the proceeding while the federal court case proceeds (something the TTAB routinely does).

In short, it will bear watching closely how the *B&B Hardware* decision is applied by the TTAB, the federal courts, and trademark litigants over the next few years.

Endnotes

1. *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015).
2. *Id.* at 1306.
3. *Id.* at 1301.
4. *Id.*
5. *Id.* at 1302.
6. *Id.*
7. *Id.*
8. *Id.*
9. *Id.*
10. *Id.*
11. *Id.* at 1310.
12. RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982).
13. *B & B Hardware*, 135 S. Ct. at 1302.
14. *Id.* at 1303, 1310.
15. *Id.* at 1307.
16. *Id.*
17. *Id.* at 1308.
18. *Id.*
19. *Id.* (emphasis added).
20. *Id.* at 1306.
21. *Id.* at 1310.
22. *Levy v. Kasher Overseers Association of America, Inc.*, 104 F.3d 38 (2d Cir. 1997).
23. *Id.* at 41-42.
24. *Id.* at 42 (emphasis in original).
25. *B&B Hardware*, 135 S. Ct. at 1308 (emphasis added).
26. *Id.*
27. *Id.*
28. *Id.* at 1306, 1310.

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The Impact of *Teva Pharmaceuticals*: Observations from the Trenches

In *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*¹ the Supreme Court clarified the standard for review of district court claim construction rulings in patent cases. The Federal Circuit previously had reviewed district court claim construction rulings *de novo*. In *Teva*, the Supreme Court distinguished between the resolution of subsidiary factual matters, which it held must be reviewed for clear error, and legal determinations, which remain subject to *de novo* review.

To see how *Teva* has affected the manner in which *Markman* or claim construction hearings have been conducted in the district courts, in July, 2015, Michael Oropallo and David Bassett, co-chairs of the Section's Patent Law Committee, surveyed a number of patent litigation attorneys in active patent jurisdictions to get their views. The questions posed and summaries of the responsive comments appear below.

1. How, if at all, have you seen *Teva Pharmaceuticals* affect claim construction issues at the district court level?

John Jackson (Jackson Walker, Dallas, Texas): To date, I have not seen much evidence that *Teva* has impacted claim construction issues at the district court level. In many of the Texas district courts in which I practice, the judges have made it clear that they prefer to base claim construction rulings on the intrinsic record. The *Teva* opinion is largely directed to the parties' use, and a district court's analysis, of extrinsic evidence. Accordingly, in a claim construction hearing in the Eastern District of Texas last week, the parties and the court focused almost exclusively on the intrinsic record just as they would have done before the *Teva* ruling.

Gerald Flattmann (Paul Hastings, New York, New York): Perhaps it is too early, but I have not seen any great impact in the district courts yet with once possible exception: Some district courts have seemed more willing than before to allow expert testimony at claim construction hearings. This could be driven by a belief that, under *Teva*, couching their constructions in extrinsic or factual findings could further insulate them from appellate review.

Mark Flanagan (Wilmer Hale, Palo Alto, California): Parties are much more attuned to potential factual issues in claim construction, resulting in more expert declarations in particular being submitted, or at least considered for submission.

Jack Blumenfeld (Morris Nichols, Wilmington, Delaware): Not at all (and the judges I have been before have

made clear that it doesn't change their view on the use of extrinsic evidence).

John Gutkowski (Barclay Damon, Boston, Massachusetts): I haven't really seen it have a global impact yet. Strategies will still be case-specific. While one could rely more on extrinsic evidence to try and protect a decision on appeal, that only is helpful if you prevail on key issues at the district court level. There's never any guarantee of that. So one must be careful of what one wishes, and what one tries to orchestrate.

Michael McCarthy (Parsons Behle, Salt Lake City, Utah): I have not yet seen the Court's decision in *Teva Pharmaceuticals* affect district court claim construction issues. The lack of effect, however, is likely more due to [the fact that] the decision is fairly recent. As courts and litigants have more opportunities to address it in claim construction proceedings, I think we will see it change how lawyers approach claim construction.

Fred Cottrell (Richards Layton, Wilmington, Delaware): I have not seen a change yet at the Delaware District Court level in light of *Teva*.

2. Will you be changing (or recommending changing) the way you approach future claim construction hearings in light of *Teva*?

Jackson: Going forward, I will certainly consider the *Teva* holding when approaching claim construction. For example, the decision of whether or not to introduce extrinsic evidence should be weighed even more carefully than it was previously. In the event that a party has a weak argument on a claim term, that party would want to carefully consider introducing supporting extrinsic evidence because doing so could result in an adverse construction supported by a fact finding that would be given deference by the Federal Circuit. It is also likely that expert witnesses may (once again) play a larger role in claim construction hearings and claim construction briefing than they have since the *Phillips v. AWH Corporation*² decision. Parties will now at least want to consider retaining an expert before the claim construction activities begin who could support that party's proposed constructions with a declaration. In situations where the intrinsic record is not clear, but the party has a well-founded position based on extrinsic evidence, a supporting expert declaration could form the basis for fact finding by the district court and would be much more persuasive than mere reliance on dictionary definitions.

Flattmann: I still plan to rely primarily on the basic intrinsic evidence: the claim language itself, plain meaning, the

disclosures of the specification, and the prosecution history. In cases where the intrinsic evidence doesn't give rise to a clear construction, I would be more likely than before to attempt to rely on expert depositions and testimony concerning the manner in which a person of skill in the art would understand the claim language and disclosures of the specification.

Flanagan: For those matters in which expert declarations are submitted, I can imagine having an evidentiary hearing as part of the *Markman* hearing, with cross-examination of experts. It will be case-by-case.

Blumenfeld: In some cases, we have used expert declarations where we would not have before (mainly for the purpose of making a record for appeal under the new standard).

McCarthy: This issue was raised directly in the case, with the majority and the dissent disagreeing on whether *Teva* would change claim construction practice. Citing *Markman v. Westview Instruments, Inc.*,³ the majority stated that “subsidiary factfinding is unlikely to loom large in the universe of litigated claim construction.”⁴ The dissent was more skeptical: “Perhaps the majority is correct[.]. . . . But I doubt it. If this case proves anything, it is that the line between fact and law is an uncertain one.”⁵ In the immediate wake of the decision, practitioners offered varying opinions on whether *Teva* would alter claim construction practice.⁶

I think it will depend on the nature and size of the case, but in general *Teva* will change how we and many other lawyers and litigants approach claim construction proceedings. Before *Teva*, many lawyers were not overly concerned about the fact/law distinction for claim construction issues because under *Markman*, all aspects of claim construction were “exclusively” for the court and therefore reviewed *de novo*. Now, however, litigants will and should pay attention to the source of the evidence on which they are relying, not only because under *Phillips v. AWH Corp.*,⁷ intrinsic evidence is of primary importance, but also because the standard of review on appeal will be different between intrinsic and extrinsic evidence. This will change how lawyers present their claim construction case.

Perhaps the best example, and the one at issue in *Teva*, of how the case will change claim construction practice involves increased use of expert testimony regarding the meaning of a claim term to a person of ordinary skill in the art at the time of the invention. Lawyers will use expert evidence more often going forward under *Teva*. Although it is extrinsic evidence and, under *Phillips*, of secondary importance, lawyers should carefully consider the opportunity to secure deferential review of claim term meanings through expert testimony. A more interesting example may be definitions from standard or technical dictionaries advanced by the parties for claim term meanings. The Court made two statements that are

particularly interesting here. First, the Court noted that like patents, many written instruments “use[] technical words or phrases not commonly understood” and that “those words may give rise to a factual dispute.”⁸ Second, the Court went out of its way to reinforce the roles of district and appellate courts when assessing evidence: a district court judge “who has presided over, and listened to, the entirety of a proceeding has a comparatively greater opportunity to gain that familiarity with the specific scientific problems and principles” at issue “than an appeals court judge who must read a written transcript.”⁹ Going forward, litigants will argue that the district court judge’s decision to accept or adopt one particular dictionary or treatise definition over another is entitled to deference. Thus, as claim construction proceedings occur post-*Teva*, lawyers will take advantage of the opportunity to attempt to insulate a district court ruling on the meaning of a claim term with a higher standard of review on appeal.

Cottrell: I might suggest a little more extrinsic evidence for the judges here in light of *Teva*, but given the time [typically allowed for *Markman*] hearings [judges] rarely allow live testimony, and judges may not be inclined to radically depart from how they conduct *Markman* hearings, so there probably will not be a great deal more of such evidence.

3. Do you see the Federal Circuit addressing certain claim construction issues as a matter of law and others as factual issues?

Jackson: While the Supreme Court has ordered a “clear error” standard of review for district court resolution of factual matters in *Markman* decisions, the ultimate claim construction conclusion still involves a legal issue, which is reviewed *de novo*. As a result, it is certainly possible that despite the *Teva* opinion, the Federal Circuit could continue to review the most relevant claim construction determinations without deference. In addition, in light of the Supreme Court’s *Nautilus* decision, at least one highly contested and frequently asserted claim construction argument (*i.e.*, indefiniteness) will still be reviewed *de novo*.

Flattmann: While there are few examples to go by as of yet, the recent *Microsoft Corp. v. Proxyconn, Inc.*¹⁰ decision suggests that the Federal Circuit may intend to minimize the impact of *Teva* by continuing to review a lower court’s constructions *de novo* to the extent they are, or should be, clear from the intrinsic evidence. In *Proxyconn*, for example, the CAFC suggested that it did not need to reach the PTAB’s factual findings on the extrinsic evidence because its *de novo* review of the intrinsic evidence dictated a different construction.

Flanagan: I am not certain at this point whether the Federal Circuit will take seriously the implications of its *Teva* decision and actually deal with disputed factual issues or whether it will gloss over factual issues and effectively resolve them as a matter of law. So we’ll see.

Blumenfeld: Too early to tell, but I haven't seen it yet.

McCarthy: Depending on district court practice, I think we will see the Federal Circuit review some issues under a clear error standard and some under a *de novo* standard. If the district court makes express factual findings on claim term meanings, it becomes more difficult for the Federal Circuit to use only a *de novo* standard on appeal. As a practical matter, however, I do not think *Teva* will drastically alter the Federal Circuit's review of claim construction decisions, including the evidence hierarchy set forth in *Phillips*, with intrinsic evidence of primary importance for claim construction and extrinsic evidence of secondary importance. As the Court noted, "[W]hen the district court reviews only evidence intrinsic to the patent (the patent claims and specifications, along with the patent's prosecution history), the judge's determination will amount solely to a determination of law, and the Court of Appeals will review that construction *de novo*."¹¹ More importantly, the fine and hard-to-find line between fact and law in the claim construction process—the district court may take evidence on the meaning that one of ordinary skill would place on a term, but it is a question of law as to whether that meaning would apply to the claim term at issue—inherently provides the Federal Circuit with a certain amount of discretion when determining whether a question is of fact or law.¹² In other words, because the "ultimate [claim] interpretation is a legal conclusion" to be drawn "in light of the facts"¹³ the Federal Circuit will have ample room to interpret the context of the claim construction dispute as either fact or law.

Endnotes

1. 135 S. Ct. 831, 574 U.S. __ (2015).
2. 415 F.3d 1303 (Fed. Cir. 2005).
3. 517 U.S. 370 (1996).
4. 135 S. Ct. at 840.
5. 135 S. Ct. at 852 (J. Thomas, dissenting).
6. See, e.g., PatentlyO Blog, Dennis Crouch "Giving Deference to the Supreme Court in *Teva v. Sandoz*" (Jan. 21, 2015), <http://patentlyo.com/patent/2015/01/deference-supreme-sandoz.html> (collecting commentary).
7. 415 F.3d 1303 (Fed. Cir. 2005).
8. 135 S. Ct. at 837 (citation omitted); see also *id.* at 841 (district courts may look to extrinsic evidence for technical information and term meanings).
9. *Id.* at 838.
10. 2015 U.S. App. LEXIS 10081 (Fed. Cir. June 16, 2015).
11. 135 S. Ct. at 834.
12. *Id.* at 841.
13. *Id.* at 834.

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Octane Fitness Producing More Patent Act and Lanham Act Attorneys' Fee Awards

By Paul W. Garrity and Thomas M. Monahan

I. Introduction

It has been just over a year since the Supreme Court handed down its ruling in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*,¹ which significantly altered the test for determining what constitutes an “exceptional case” under section 285 of the Patent Act for purposes of fee-shifting. In *Octane Fitness* the Supreme Court rejected the test articulated by the Federal Circuit in *Brooks Furniture Manufacturing, Inc. v. Dutailier, International, Inc.*,² which held that attorneys’ fees may be awarded only in an “exceptional case” where there has been “material inappropriate conduct” or where the litigation was brought in “subjective bad faith” and was “objectively baseless.”³ In describing the *Brooks Furniture* test as “overly rigid,” the Supreme Court fashioned a more flexible standard by holding that an “exceptional” case “is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.”⁴ The Court further explained that determining whether a case is “exceptional” is a matter of the district court’s discretion, which it must exercise on a case-by-case basis considering the totality of the circumstances.⁵

This article provides an overview of how courts have applied this new standard in patent and Lanham Act cases, with an emphasis on courts within the Second Circuit.

II. Patent Cases

Led by the Federal Circuit, federal courts have since issued over 170 decisions interpreting and applying the case-by-case analysis mandated by *Octane Fitness*. In *Gaymar Industries, Inc. v. Cincinnati Sub-Zero Products, Inc.*,⁶ for example, the Federal Circuit reversed a decision from the Western District of New York that declined to grant fees despite having found litigation misconduct by the prevailing defendant.⁷ The Federal Circuit held that while the parties’ conduct was a relevant factor under *Octane Fitness*, the plaintiff’s conduct fell short of litigation misconduct, and the district court had committed clear error by finding otherwise.⁸ The court of appeals remanded for the district court to conduct an analysis of the “totality of the circumstances” and the parties’ litigation positions.⁹ The Federal Circuit observed that the district court could have rested its decision not to award attorney’s fees on the fact that the plaintiff’s litigation position was not objectively baseless but chose instead to rely exclusively upon the defendant’s supposed litigation

misconduct.¹⁰ The Federal Circuit cited the district court’s observation that the defendant could have, but did not, move for summary judgment as an indication that the case was closer than the defendant had contended in its fee application¹¹ and suggested that the district court could have relied upon this factor to support its refusal to award fees.¹²

The Federal Circuit again addressed the “totality of the circumstances” analysis a few weeks later in *SFA Systems, LLC v. Newegg Inc.*,¹³ in which it sustained an Eastern District of Texas decision declining to grant fees to a prevailing defendant after considering the substantive strength of the plaintiff’s litigating positions and the manner in which the case was litigated. The case involved a dispute over two patents that related to a computer sales system that included “a plurality of subsystems or components, where each of the components corresponds to a different phase of the sales process.”¹⁴ The plaintiff dismissed the action one day after the district court issued a *Markman* ruling in favor of the defendant.¹⁵ In that order, the district court also denied the defendant’s motion for summary judgment.¹⁶ The district court denied the defendant’s motion for attorney’s fees, finding that the plaintiff’s litigation position was reasonable and that its litigation conduct was not unreasonable, particularly in light of the court’s denial of summary judgment.¹⁷

On appeal, the Federal Circuit held that the district court did not abuse its discretion in finding that the substantive strength of the plaintiff’s litigation position (rather than the correctness of the district court’s claim construction and indefiniteness orders) did not stand out from others such that it constituted an exceptional case.¹⁸ Similarly, the Federal Circuit found that the district court did not abuse its discretion in determining that the plaintiff’s unsuccessful litigation strategy did not sufficiently stand out from other cases as to warrant an award of fees.¹⁹ In this regard, the Federal Circuit focused on the fact that the district court “did not find any evidence of misrepresentation or misleading statements” by the unsuccessful plaintiff.²⁰

Although the Second Circuit has yet to address *Octane Fitness*, courts in the Southern District of New York have applied *Octane Fitness* in a dozen cases. In eight of them, the district judges granted attorneys’ fees to the prevailing party.²¹ These rulings make clear that the Supreme Court’s decision to do away with the “objectively baseless” standard and to implement a less rigid standard expanded the universe of cases in which fees may be awarded.

For instance, in *Lumen View Tech., LLC v. Findthebest.com, Inc.*,²² Judge Cote awarded attorneys' fees to a defendant who had defeated patent infringement claims. The defendant in *Lumen* operated a website that matched users with goods or services according to criteria that the users entered using the company's "AssistMe" program.²³ The plaintiff was a "Non Practicing Entity" that became the exclusive licensee of a patent for a computer-implemented system for facilitating bilateral and multi-lateral decision-making.²⁴ Applying *Octane Fitness*, the court found that the plaintiff's claims were both frivolous and objectively unreasonable.²⁵ The court observed that no reasonable litigant could have expected to prevail, as the plaintiff's patent involved a "a bilateral matchmaking process requiring multiple parties to input preference information, while [the defendant's] 'AssistMe' feature utilize[d] the preference data of only one party."²⁶ The court also found that the plaintiff's motivation favored a fee award, as the plaintiff had initiated the suit to extract a nuisance settlement.²⁷ In addition, the court also found a fee award justified by deterrence, based on "the boilerplate nature of [the plaintiff's] complaint, the absence of any reasonable pre-suit investigation, and the number of substantially similar lawsuits filed within a short time frame," which "suggest[ed] that [the plaintiff's] instigation of baseless litigation [was] not isolated to this instance, but [was] instead part of a predatory strategy aimed at reaping financial advantage from the inability or unwillingness of defendants to engage in litigation against even frivolous patent lawsuits."²⁸

While *Lumen* highlights how the *Octane Fitness* test involves a more flexible and holistic analysis, New York district courts have been clear that a fee award still requires a significant showing of unreasonableness or frivolousness. As Judge Buchwald observed in *Small v. Implant Direct Mfg. LLC*,²⁹ in which she declined to award fees to a defendant who successfully defeated patent infringement claims, "most cases awarding fees continue to involve substantial litigation misconduct."³⁰ In *Small*, the plaintiff alleged infringement of a patent related to an invention that she claimed to have created while working at the New York University College of Dentistry, which involved adding "slots of various depths" to dental implants so that they would not become loose.³¹ Judge Buchwald granted summary judgment to the defendants, finding that the plaintiff's patent was invalid because the invention had been in public use for more than a year before the plaintiff filed her patent application, and the description of "slots of various depths" was inadequate.³² While these shortcomings ultimately doomed the plaintiff's case, the district court observed that the claims were not objectively baseless, pointing to the Patent Office's issuance of the plaintiff's patent; the fact that other defendants opted to settle rather than litigate plaintiff's claims; and the fact that the plaintiff's claims were not rejected on the pleadings but instead on summary judgment following discovery.³³

III. Lanham Act Cases

Joining other district court around the country, judges in the Southern District of New York also have applied *Octane Fitness* to the "exceptional case" attorneys' fee standard under the Lanham Act. In *Microban Products Co. v. API Industries, Inc.*,³⁴ for example, Judge Failla observed that the "exceptional case" analysis under *Octane Fitness* "dovetails noticeably" with the "exceptional case" analysis for Lanham Act claims under Second Circuit law.³⁵ Judge Failla awarded fees where the defendant willfully infringed on the plaintiff's marks for ten months and "fomented the instant litigation, forcing [the plaintiff] to come to Court to obtain that to which it is indisputably entitled": licensing fees and control over the plaintiff's marks.³⁶ Similarly in *River Light V, L.P. v. Lin & J International, Inc.*,³⁷ Judge Cote relied on *Octane Fitness* to award attorneys' fees in a Lanham Act case where the defendants "engaged in intentional infringement, perpetrated fraud and spoliation, pursued counterclaims grounded in that fraud, and...continued to sell their infringing merchandise throughout this litigation, all with the intent to deceive and profit at the expense of the administration of justice."³⁸

"In light of the broad discretion now afforded to courts under Octane Fitness, district courts are analyzing all aspects of parties' claims and the conduct of parties and their counsel in order to determine whether a case is exceptional."

IV. Conclusion

Courts within the Southern District of New York, as well as others, have considered whether the cases before them are "exceptional" under *Octane Fitness* in both patent and Lanham Act cases. The rulings to date demonstrate that district courts, now free from the strict requirements of *Brooks Furniture* and other precedents that required inappropriate conduct or bad faith and objectively baseless claims, are now considering the totality of the case when evaluating motions for attorneys' fees. In light of the broad discretion now afforded to courts under *Octane Fitness*, district courts are analyzing all aspects of parties' claims and the conduct of parties and their counsel in order to determine whether a case is exceptional. Although the movant no longer necessarily has to show that the losing party's claims or defenses were objectively baseless, a fee motion remains an uphill battle without such a showing. However, it bears noting that factors such as abusive and/or bad-faith litigation tactics may be enough in certain cases to justify a fee award under *Octane Fitness*.

Endnotes

1. 134 S. Ct. 1749 (2014).
2. 393 F.3d 1378 (Fed. Cir. 2005).
3. *Id.* at 1381.
4. *Octane Fitness*, 134 S. Ct. at 1755-56.
5. *Id.*
6. ___ F.3d ___, 2015 WL 3893711 (Fed. Cir. June 25, 2015).
7. *Id.* at *3.
8. *Id.* at *3, *6.
9. *Id.*
10. *Id.* at *3.
11. *Id.*
12. *Id.*
13. ___ F.3d ___, 2015 WL 4154110 (Fed Cir. July 10, 2015).
14. *Id.* at *1.
15. *Id.* at *2.
16. *Id.*
17. *Id.* at *3-*4.
18. *Id.* at *4.
19. *Id.* at *5-*7.
20. *Id.* at *7.
21. See *River Light V, L.P. v. Lin & J Int'l, Inc.*, 2015 WL 3916271 (S.D.N.Y. June 25, 2015); *Skyline Steel, LLC v. PilePro, LLC*, 2015 WL 3739276 (S.D.N.Y. June 15, 2015); *Worldwide Home Products, Inc. v. Bed, Bath & Beyond, Inc.*, 2015 WL 1573325 (S.D.N.Y. Apr. 9, 2015); *Lumen View Tech., LLC v. Findthebest.com, Inc.*, 63 F. Supp. 3d 327 (S.D.N.Y. 2014); *Lumen View Tech., LLC v. Findthebest.com, Inc.*, 24 F. Supp. 3d 329, 337 (S.D.N.Y. 2014); *Cross Commerce Media, Inc. v. Collective, Inc.*, 2014 WL 7323419 (S.D.N.Y. Dec. 16, 2014); *TNS Media Research, LLC v. TiVo Research & Analytics, Inc.*, 2014 WL 5639930 (S.D.N.Y. Nov. 4, 2014); *Cognex Corp. v. Microscan Sys., Inc.*, 2014 WL 2989975, at *4 (S.D.N.Y. June 30, 2014); *Microban Products Co. v. API Indus., Inc.*, No. 14 CIV. 41 KPF, 2014 WL 1856471, at *23 (S.D.N.Y. May 8, 2014).
22. 24 F. Supp. 3d 329 (S.D.N.Y. 2014).
23. *Id.* at 331.
24. *Id.*
25. *Id.* at 336.
26. *Id.* at 335.
27. *Id.* at 336.
28. *Id.*
29. 2014 WL 5463621 (S.D.N.Y. Oct. 23, 2014).
30. *Id.* at *4.
31. *Id.* at *1.
32. *Id.*
33. *Id.* at *4.
34. 2014 WL 1856471 (S.D.N.Y. May 8, 2014).
35. *Id.* at n. 28.
36. *Id.* at *24.
37. 2015 WL 3916271 (S.D.N.Y. June 25, 2015).
38. *Id.* at *10.

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Fair Use on the Campaign Trail

By Jonathan Bloom and Olivia Greer

I. Introduction

As the election season begins to heat up, and campaign rallies hit stadiums, VA halls, and lodges around the country, we can expect to see more recording artists objecting to use of their songs by candidates without permission, usually to fire up crowds. It is a truism that the First Amendment “has its fullest and most urgent application to speech uttered during a campaign for political office.”¹ Yet although political speech is entitled to the highest level of constitutional protection, the unauthorized use of copyrighted works is not immune from liability simply because the use is connected to a political campaign.

Over the years courts have analyzed a variety of scenarios in which a copyrighted work has been used without permission in a political context. From the unlicensed use of a song in the background of a campaign advertisement to the unauthorized use of a copyrighted photograph in a political pamphlet, the cases discussed in this article illustrate how courts have determined whether uses of copyrighted works are protected by the fair use doctrine in a political context.

II. The Fair Use Doctrine

As noted, political speech sits atop the First Amendment hierarchy.² And yet even in connection with political speech, copyright works cannot necessarily be used without permission, as such use may or may not be a fair use—and thus may or may not be actionable—depending on how the work is used.³

By way of background, the fair use doctrine prevents “rigid application” of copyright rights from “stifl[ing] the very creativity which that law is designed to foster.”⁴ In doing so, fair use advances copyright’s purpose of promoting “the Progress of Science and useful Arts.”⁵ The preamble to section 107 of the Copyright Act lists several types of potential fair uses, including criticism, comment, and news reporting. The list, which does not purport to be exhaustive, does not include any reference to political speech, although political pamphlets, advertisements, or speeches could, in theory, be characterized as criticism or comment. Even uses on the illustrative list, however, are fair in a given case only if the balance of the four statutory factors favors fair use. (Section 107 states that the “fair use”—not the “use”—of a copyrighted work for purposes such as criticism, comment, etc. is not an infringement.) The fair use factors are: (1) the purpose and character of the use, including whether the use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and sub-

stantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.⁶

In cases involving political speech, courts often emphasize the first factor, which focuses primarily on whether the use is transformative but also takes into account whether the use is commercial—which courts hold is less important when the use is transformative.

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A. Transformative Use

There has been a fair amount of recent litigation over what constitutes a transformative use. The Supreme Court has stated that whether the use is transformative is the “central purpose” of the first-factor inquiry, and it has defined the inquiry as “whether the new work merely ‘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.”⁷ Whether the use of a copyrighted work is transformative is “more critical” than whether it is commercial.⁸

The Second Circuit addressed transformativeness recently in *Cariou v. Prince*.⁹ That case turned on the fair use defense asserted by appropriation artist Richard Prince, who had created and sold a series of collage paintings featuring (in some cases only slightly) altered versions of photographs taken in Jamaica by plaintiff Patrick Cariou and published in his 2000 book *Yes Rasta*. In his deposition, Prince admitted that he did not intend in his works to create a new meaning or message and that he was not interested in Cariou’s original intent.¹⁰

The district court found that Prince’s works were not transformative because they did not comment on Cariou’s photographs. The court also found that the use was highly commercial and that Prince had acted in bad faith, all of which contributed to its determination that the first factor weighed against fair use. Determining that the remaining fair use factors all weighed against Prince, the district court granted Cariou’s motion for summary judgment.¹¹ On appeal, the Second Circuit reversed in part and remanded.

With respect to the first factor, the court of appeals explained that “[t]he law imposes no requirement that a work comment on the original or its author in order to be considered transformative” and that a secondary work “may constitute a fair use even if it serves some purpose other than those...identified in the preamble to the statute”; the only requirement is that the new work “generally must alter the original with ‘new expression, meaning, or message.’”¹² Applying this standard, the court found that 25 of the 30 Prince works at issue were transformative on the ground that they reflected a wholly different aesthetic from Cariou’s photographs. Whereas the district court had found that Prince’s lack of intended commentary on Cariou’s work militated against a finding of transformativeness, the Second Circuit held that the relevant inquiry was “how the work in question appears to the reasonable observer, not simply what an artist might say about a particular piece or body of work.”¹³ In other words, the test of transformativeness is objective, not subjective.

While *Cariou* arguably expands the scope of what may be considered transformative by not imposing a requirement that the taking be justified by the purpose of commenting on the original, the extent to which a use can be considered transformative based solely on a claimed “different purpose” without any actual alteration of the original is limited, at least in the absence of new functionality such as that offered by a search engine.¹⁴ In *Harper & Row, Pubs., Inc. v. Nation Enters.*,¹⁵ for example, the Supreme Court rejected the argument that the asserted public interest in, and public importance of, a news report about President Ford’s forthcoming memoir justified unauthorized verbatim copying from the manuscript by *The Nation* magazine.¹⁶ The Court explained that fair use does not empower a court to “ignore a copyright whenever it determines the underlying work contains material of possible public importance.”¹⁷

In some cases, however, factor one has been held to favor a use that involves neither alteration of the original nor the addition of new functionality. In *Swatch Grp. Mgmt. Servs. Ltd. v. Bloomberg L.P.*,¹⁸ for example, the Second Circuit held that Bloomberg’s dissemination of an unaltered recording of the plaintiff’s earnings call to subscribers was fair use. Bloomberg “obtained a sound recording and written transcript of the call and made them both available online, without alteration or editorial commentary, to subscribers to its online financial research service known as Bloomberg Professional.”¹⁹ The court held that “where a financial research service obtains and disseminates important financial information about a foreign company in order to make that information available to American investors and analysts, that purpose supports a finding of fair use.”²⁰ The court noted that a secondary work “can be transformative in function or purpose without altering or actually adding to the original work,”²¹ and it found that because Bloomberg had disseminated the data with a different message and

(reportorial) purpose than Swatch had, Bloomberg’s use had “at least an arguably transformative character.”²²

In *Bill Graham Archives v. Dorling Kindersley Ltd.*,²³ the Second Circuit held that reproduction of reduced-size (and therefore somewhat altered) reproductions of Grateful Dead posters in a biography of the band “fulfill[ed] [the publisher’s] transformative purpose of enhancing the biographical information in [the book], a purpose separate and distinct from the original artistic and promotional purpose for which the images were created.”²⁴ Unlike in *Swatch*, however, the use in *Bill Graham Archives* involved incorporation of a reproduction of the copyrighted work into a new work of scholarship, which is one of the illustrative fair uses.

B. Commercial Use

In determining whether the use at issue is commercial, courts look at whether the original “was copied in good faith to benefit the public or primarily for the commercial interests of the infringer.”²⁵ The inquiry focuses on “whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.”²⁶

The fact that a use is made for profit is not necessarily of much fair-use significance. As the Supreme Court noted in *Campbell*, if the commercial character of the use presumptively weighed against fair use, that presumption “would swallow nearly all of the illustrative uses” listed in section 107, all of which generally are done for profit.²⁷ In *Swatch*, the Second Circuit found that although it was undisputed that Bloomberg was a commercial enterprise, “almost all newspapers, books and magazines are published by commercial enterprises that seek a profit,” such that the commercial nature of Bloomberg’s use was entitled to “relatively little weight.”²⁸

In the political arena, courts generally have found that political advertisements are not commercial simply because they solicit donations. For instance, in a copyright and trademark infringement case involving a political advertisement by presidential candidate Ralph Nader that parodied MasterCard’s “Priceless” advertisements, a New York district court held that the use was noncommercial because its purpose was “to raise public awareness of Ralph Nader’s desire to be included in the upcoming, televised Presidential candidate debates.”²⁹ Similarly, a gubernatorial campaign advertisement that parodied the insurance company AFLAC’s quacking duck commercials was found to have been “properly classified not as a commercial transaction at all, but completely noncommercial, political speech.”³⁰

Nevertheless, as the cases discussed below illustrate, a consistent definition of commercial use for purposes of the first fair use factor has yet to emerge; there has been little uniformity in how courts have determined what types of political speech are properly classified as com-

mercial or to what extent a finding of commercial use weighs against finding fair use.

III. Recent Clashes Between Politics and Copyright

We next discuss six recent legal disputes in which a fair use defense was asserted in connection with allegedly infringing use of copyrighted works in a national political campaign.

A. Unauthorized Use of Songs by Political Campaigns

The unauthorized use of songs by political campaigns is a common source of conflict between political speech and intellectual property rights. Several lawsuits have challenged the public performance of songs or sound recordings at campaign events without permission. In such cases, the merit of the copyright infringement claim often hinges on whether the venue has a blanket license from a performance rights organization. But two recent cases arose in different settings: in one, a congressional candidate rewrote the lyrics of two famous songs to ridicule his political opponents; another involved a campaign ad that ran online and on television.

In *Henley v. DeVore*³¹ congressional candidate Charles DeVore modified the lyrics to the Don Henley songs “The Boys of Summer” (calling it “The Hope of November”) and “All She Wants To Do Is Dance” (calling it “All She Wants To Do Is Tax”) as a way of poking fun at DeVore’s political opponents, including President Obama and Senator Barbara Boxer. DeVore and his staff created music videos for the songs that featured DeVore singing the rewritten lyrics over karaoke tracks. Henley sued for copyright infringement, as well as for violation of the Lanham Act, in the Central District of California. DeVore defended the copyright claims by arguing on summary judgment that his versions of the songs were parodies and therefore constituted fair use.

In addressing whether the use was transformative, the court highlighted the distinction drawn by the Supreme Court between parody “in which the copyrighted work is the target” and satire “in which the copyrighted work is merely a vehicle to poke fun at another target.”³² The court recognized that parody “is not the only form of fair use,” but it emphasized that “satire faces a higher bar...because it requires greater justification for appropriating the original work.”³³ As for “The Boys of Summer,” the court found that the only respect in which the use might be considered transformative would be as parody of the author, on the theory that the song was intended to poke fun at Henley as a supporter of then-candidate President Obama. The court found this argument tenuous, but it allowed for the possibility that factor one could tip slightly in favor of DeVore. As for “All She Wants To Do Is Dance,” the court found that the use plainly was *not* parodic, as it was not designed to com-

ment on or criticize the original song or its author; rather it was satire—a vehicle to comment on and criticize DeVore’s political opponents. Because the court found that DeVore had “borrowed heavily from the creative aspects” of the original songs and made “minimal changes,” it concluded that the appropriation was not justified.³⁴

As for whether the use was commercial, the court acknowledged that most courts considering whether campaign advertisements are commercial in the fair use context “come down on the side of noncommercial”³⁵ But it found that DeVore stood to gain publicity and campaign donations from his use of the songs (the videos contained links to DeVore’s campaign website and encouraged donations) and that DeVore had profited by gaining an advantage without having to pay customary licensing fees.³⁶

The court found that the remaining three factors also weighed against finding fair use: the copied works were highly expressive (factor two); the defendants borrowed heavily from the originals (factor three); and the defendants failed to make an adequate showing that there would be no harm to the market for the originals (factor four). The court thus granted the plaintiffs’ motion for summary judgment on copyright infringement as to both songs.

In *Browne v. McCain*³⁷ the musician Jackson Browne claimed that Senator John McCain’s presidential campaign, along with the Republican National Committee, infringed his copyright (and violated the Lanham Act) by using Browne’s song “Running on Empty” in the background of a campaign ad that was posted online and broadcast on television. The McCain campaign conceded that the use was unlicensed but moved to dismiss on fair use grounds. The court denied the motion, holding it inappropriate to evaluate fair use based on the pleadings rather than on a developed fact record. The court stated, however, that “[t]he mere fact that Plaintiff’s claim is based on Defendants’ use of his copyrighted work in a political campaign does not bar Plaintiff’s claim as a matter of law.”³⁸ In the end, the parties settled, with the defendants paying an undisclosed amount to Browne and issuing a public apology.³⁹

B. Political Materials

Another common form of political speech is pamphlets that support a candidate for elected office or promote a particular political view. In *Hill v. Pub. Advocate of the United States*,⁴⁰ Public Advocate—an organization opposed to same-sex marriage—published a pamphlet opposing the state senate campaign of a candidate who supported civil unions. The pamphlet featured a photograph of two men kissing. The men in question were a married couple who had posted the photograph on a personal blog they created to inform friends and family about their wedding. The couple, along with the photographer, who owned the copyright in the photograph, sued

for copyright infringement and misappropriation of the couple's names and likenesses. Public Advocate moved to dismiss on fair use and First Amendment grounds. The court held that although Public Advocate's use of the couple's names and likenesses was protected speech,⁴¹ the copyright infringement claim could not be dismissed on fair use grounds.

With respect to the first fair use factor, the court found that the pamphlet did not make transformative use of the photograph because Public Advocate had retained the most important part of it and had failed to add anything new.⁴² Like the *Browne* court, the court in *Hill* stated that "the mere fact that the photo was used for political purposes does not bolster the Defendants' argument."⁴³ The court held that although the record did not allow for a full fair use analysis, the plaintiffs had stated a plausible copyright infringement claim.

By contrast, in *Wojnarowicz v. Am. Family Ass'n*⁴⁴ the court held that the reproduction of copyrighted artwork in a political pamphlet was fair use where the purpose of the use was to criticize the underlying works. The American Family Association (AFA) had published a pamphlet criticizing funding by the National Endowment for the Arts of what the AFA characterized as offensive and blasphemous art. The AFA included in the pamphlet examples of art it found to be offensive, including fourteen "fragments" of art works by Hill. Hill sued, alleging copyright infringement, violation of the Lanham Act, and state law claims. The court held the pamphlet was fair use, based largely on the finding under factor one that criticism and comment were indisputably the defendants' "dominant purpose."⁴⁵ With respect to whether the use was commercial, the court acknowledged that "even a minimal level of commercial incentive weighs against a finding of fair use," but it emphasized that commercial use is not dispositive of the fair use analysis. Thus, although the pamphlet "involved some economic motivation" (it encouraged donations to the AFA), the court held that the "dominant objective" of criticism "far outweighed the secondary fund-raising purpose."⁴⁶

In another recent case that dealt not with pamphlets but with t-shirts, *Kienitz v. Sconnie Nation LLC*,⁴⁷ the Seventh Circuit found fair use where an apparel company created t-shirts, in collaboration with a local activist group, that featured an artistically altered version of the plaintiff's photograph of the mayor of Madison, Wisconsin. The shirt was created to highlight the mayor's opposition to an annual event that he had himself attended before becoming mayor. The t-shirts displayed the mayor's face, in black and lime green ink, with the slogan "Sorry for Partying" printed across the image.⁴⁸ After learning from the mayor that his photograph had been used on the shirt, the photographer sued for copyright infringement.

The district court held that the t-shirt made fair use of the photograph. The court found the t-shirts transformative.⁴⁹ The court emphasized that although "courts have been more willing to grant fair use protections to parodies...than to satires," under *Cariou* a work can be transformative without commenting on the original work or its author,⁵⁰ and it found that "the robust transformative nature" of the shirts tipped the first factor in favor of the defendants even though the shirts were a commercial product. The court found that the second factor was neutral and that the third and fourth factors favored fair use.

On appeal, the Seventh Circuit, in an opinion by Judge Frank Easterbrook, affirmed on different grounds. The court expressly took issue with the Second Circuit's emphasis on transformative use in *Cariou*, opining that "asking exclusively whether something is 'transformative' not only replaces the list [of presumptively fair uses] in § 107 but also could override 17 U.S.C. § 106(2), which protects derivative works."⁵¹ The court criticized *Cariou* for failing to explain how every transformative use could be a fair use without "extinguishing the author's [derivative work] rights under § 106(2)."⁵² The court stated that it preferred to "stick with the statutory list [of fair use factors]," and it identified the fourth factor—market harm—as the most important.

In evaluating factor four, the court held that it favored fair use because the t-shirt was "no substitute for the original photograph," and the photographer had not alleged any actual or potential disruption of any plans to license the photograph to apparel companies. Factor three favored the defendants because they had taken the barest minimum of the photograph (using an already low-resolution version and stripping out the background, color, and shading). The court found that the remaining two factors didn't "do much," but it held that the first factor favored the defendants because, although they made a small profit, the design was chosen "as a form of political commentary," while the second factor was neutral.

C. Campaign Ads and Websites

Two disputes dating from the 2012 election season that were never adjudicated show the types of conflicts that can arise between political speech and intellectual property rights on the Internet. In 2010, Fox News sued Democratic Senate candidate Robin Carnahan for copyright infringement after the Carnahan campaign produced an ad containing a 24-second unlicensed clip from a 2006 Fox interview of Carnahan's opponent. Fox News alleged that using the clip in the ad had "harmed the value of the original work by compromising its apparent objectivity."⁵³ Although the Carnahan campaign initially claimed fair use (as well as that Fox had failed to register its copyright before filing the lawsuit), the parties ultimately settled. The Carnahan campaign publicly acknowledged that it had used the footage in a manner that "exceeded that which is permitted."⁵⁴

Also in 2010 Republican Senate candidate Sharron Angle threatened to sue incumbent Senator Harry Reid after Reid's campaign republished a prior version of Angle's campaign website that had showcased some of her more conservative political views during the Nevada primary campaign before being replaced, after the primaries, by a new website expressing more moderate views.⁵⁵ The Angle campaign sent a cease-and-desist letter arguing that the republication misappropriated Angle's intellectual property.⁵⁶ The Reid campaign claimed it had made fair use of the Angle material.⁵⁷ Angle threatened, but never filed, a lawsuit.

IV. Discussion

The body of cases addressing invocations of fair use in connection with political speech makes clear that the political context does not necessarily afford fair use protection, particularly where the use is not transformative. In *Hill*, for example, the court noted, on a motion to dismiss, that the political purpose for which the plaintiff's copyrighted photograph was used without permission did not make it a fair use as a matter of law. In both *Henley* and *Browne*, the political nature of the challenged uses did not appear to strengthen the defendants' fair use arguments; in *Henley*, the court rejected the fair use defense, and in *Browne* the court held that fair use did not bar the plaintiff's claim. However in the Seventh Circuit's ruling in *Kienitz*, the fact that the photograph at issue had been used for political commentary was held to favor fair use, although the use also was plainly transformative.

For a fair use defense to succeed in the context of political speech, it is not necessary that the use be parodic. In *Henley*, for example, the court recognized that parody "is not the only form of fair use," and in *Hill* the court focused, as had the Second Circuit in *Cariou*, on whether the challenged use added "something new" in a way that altered the original work "with new expression, meaning or message," without regard to whether the message was parodic. In *Kienitz*, moreover, the Seventh Circuit cautioned that undue focus on transformativeness risked undermining the right of the copyright owner to create and control derivative works.

It should be noted that the Seventh Circuit's critique in *Kienitz* of the Second Circuit's purported emphasis on transformativeness over market harm overlooked the fact that it was the Supreme Court in *Campbell* that situated transformativeness at the heart of the fair use inquiry, as well as the fact that one purpose of the concept of transformativeness is to help identify works that do not supersede the original and thus are less likely to cause market harm. Moreover, the scope of derivative rights is limited by the principle that copyright owners "may not preempt exploitation of transformative markets, which they would not 'in general develop or license others to develop.'"⁵⁸ This would apply to uses, like the t-shirt at issue in *Kienitz*, that involve critical commentary.

It also bears noting that while political speech does occupy a privileged place under the First Amendment, courts do not conduct an independent First Amendment analysis in copyright infringement cases because application of the fair use factors takes account of the defendant's First Amendment interests. As the Supreme Court has explained, copyright law "contains built-in First Amendment accommodations," one of them being fair use.⁵⁹ Accordingly, any claim by a political campaign that its use of a copyrighted work without permission should be protected by the First Amendment because it disseminates political ideas generally carries little weight. In the words of the Supreme Court, it would be "fundamentally at odds with the scheme of copyright to accord lesser rights in those works that are of greatest importance to the public."⁶⁰

V. Conclusion

There is no clear consensus as to whether use of a copyrighted work to generate support for a political campaign is a commercial use. However, even where the use is found to be commercial, in a political context this factor may not carry much weight unless the defendant is exploiting the work in a blatant manner, such as by using it unaltered in a campaign ad. Escaping infringement liability for unauthorized use of copyrighted material by a political campaign generally requires a creative modification of the work to convey a critical message other than simply "If you like this song, vote for me."

Endnotes

1. *Citizens United v. Fed. Election Comm'n*, 558 U.S. 310, 340 (2010) (internal quotations omitted). See also *McIntyre v. Ohio Elections Comm'n*, 514 U.S. 334, 346 (1995) ("Discussion of public issues and debate on the qualifications of candidates are integral to the operation of the system of government established by our Constitution.") (quoting *Roth v. United States*, 354 U.S. 476, 484 (1957)); *Meyer v. Grant*, 486 U.S. 414 (1988) (First Amendment protection "at its zenith" in the political arena); *Monitor Patriot Co. v. Roy*, 401 U.S. 265, 272 (1971) (The First Amendment "has its fullest and most urgent application precisely to the conduct of campaigns for political office.").
2. *Mills v. Alabama*, 384 U.S. 214, 218 (1966) ("[T]here is practically universal agreement that a major purpose of the First Amendment was to protect the free discussion of governmental affairs.").
3. 17 U.S.C. § 107 ("[T]he fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.").
4. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575 (1994) (quoting U.S. Const., Art. I, sec. 8 cl. 8) (additional citations omitted).
5. *Id.* at 577.
6. 17 U.S.C. § 107.
7. *Campbell*, 510 U.S. at 579.
8. *Castle Rock Entm't, Inc. v. Carol Publ'g Group, Inc.*, 150 F.3d 132, 141 (2d Cir. 1998).
9. 714 F.3d 694 (2d Cir. 2013).

10. *Id.* at 707.
11. *Cariou v. Prince*, 784 F. Supp. 2d 337 (S.D.N.Y. 2011).
12. *Cariou*, 714 F.3d at 706 (quoting *Campbell*, 510 U.S. at 579).
13. *Id.* at 707.
14. *See, e.g., Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2002).
15. 471 U.S. 539, 569 (1985).
16. *Id.* at 556.
17. *Id.* at 558.
18. 756 F.3d 73 (2d Cir. 2014).
19. *Id.* at 78.
20. *Id.* at 83.
21. *Id.* at 84 (citation omitted).
22. *Id.* at 85.
23. 448 F.3d 605 (2d Cir. 2006).
24. *Id.* at 610.
25. *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 922 (2nd Cir. 1994) (quoting *Rogers v. Koons*, 960 F.2d 301, 309 (2d Cir. 1992)).
26. *Harper & Row*, 471 U.S. at 562.
27. *Campbell*, 510 U.S. at 584; *see also Cariou*, 714 F.3d at 708.
28. *Swatch*, 756 F.3d at 83 (quoting *Consumers Union of U.S., Inc. v. Gen. Signal Corp.*, 724 F.2d 1044, 1049 (2d Cir. 1983) (alterations omitted)).
29. *MasterCard Int'l Inc. v. Nader* 2000 Primary Comm., No. 00 Civ. 6068(GBD), 2004 WL 434404, at *12 (S.D.N.Y. Mar. 8, 2004).
30. *American Family Life Insurance Co. v. Hagan*, 266 F. Supp. 2d 682, 697 (N.D. Ohio 2002).
31. 733 F. Supp. 2d 1144, 1149 (C.D. Cal. 2010).
32. *Id.* at 1152 (quoting *Dr. Seuss Enters., L.P. v. Penguin Books*, 109 F.3d 1394, 1399 (9th Cir. 1997); *Campbell*, 510 U.S. at 580).
33. *Id.* at 1158.
34. *Id.* at 1152.
35. *Id.* at 1159 (citing *MasterCard*, 2004 WL 434404, at *12; *Keep Thomson Governor Comm. v. Citizens for Gallen Comm.*, 457 F. Supp. 957, 961 (D. N.H. 1978)).
36. *Id.*
37. 612 F. Supp. 2d 1125 (C.D. Cal. 2009).
38. *Id.* at 1130.
39. *Ashby Jones, John McCain, Jackson Browne, Bury the Hatchet Over Use of Song*, THE WALL STREET JOURNAL, July 21, 2009, available at <http://blogs.wsj.com/law/2009/07/21/john-mccain-jackson-browne-bury-the-hatchet-over-use-of-song/> (last visited July 15, 2015).
40. 35 F. Supp. 3d 1347, 1357 (D. Colo. 2014).
41. *Id.* at 1355-57.
42. *Id.* at 1358.
43. *Id.*
44. 745 F. Supp. 130, 134 (S.D.N.Y. 1990).
45. *Id.* at 144.
46. *Id.*
47. 766 F.3d 756, 759 (7th Cir. 2014), *cert. denied*, 135 S. Ct. 1555 (2015).
48. *Id.* at 757.
49. *Kienitz v. Sconnie Nation LLC*, 965 F. Supp. 2d 1042, 1050 (W.D. Wis. 2013).
50. *Id.* at 1051.
51. *Kienitz*, 766 F.3d at 758.
52. *Id.*
53. Complaint, *Fox News Network, LLC v. Robin Carnahan For Senate, Inc.*, No. 4:10-cv-00906-GAF (Sept. 15, 2010 W.D. Mo.), available at http://www.politico.com/static/PPM170_100916_fox.html (last visited July 15, 2015).
54. David Catanese, *Carnahan and Fox Settle Lawsuit*, *Politico.com*, February 4, 2011, available at http://www.politico.com/blogs/davidcatanese/0211/Carnahan_and_Fox_settle_lawsuit.html (last visited July 15, 2015).
55. Stephanie Condon, *Sharron Angle Accuses Harry Reid of "Dirty Tricks" in Campaign Website Scuffle*, CBS News, July 6, 2010, available at <http://www.cbsnews.com/news/sharron-angle-accuses-harry-reid-of-dirty-tricks-in-campaign-website-scuffle/> (last visited July 15, 2015); Sam Stein, *Sharron Angle's Tea Party Agenda Gets a Drastic Makeover*, THE HUFFINGTON POST, July 1, 2010, available at http://www.huffingtonpost.com/2010/07/01/sharron-angle-tea-party-a_n_632958.html (last visited July 15, 2015).
56. Letter from Cleta Mitchell, Foley & Lardner LLP, to Marc Elias, Perkins Coie (July 2, 2010), available at <https://drive.google.com/file/d/0BxV7je3uiuGqMzY4NTcwNjQ0NzMwMC00MWRjLWE3YmYtZWVhZjZjNTYyNjZj/view?ddrp=1&hl=en#> (last visited July 15, 2015).
57. Eduardo M. Peñalver and Sonia Katyal, *The Fair Use Senator*, *Slate.com*, July 9, 2010, available at http://www.slate.com/articles/news_and_politics/jurisprudence/2010/07/the_fair_use_senator.html (last visited July 15, 2015).
58. *Castle Rock*, 150 F.3d at 146 n.11 (citing *Campbell*, 510 U.S. at 592).
59. *Eldred v. Ashcroft*, 537 U.S. 186, 190 (2003).
60. *Harper & Row*, 471 U.S. at 559; *see also id.* at 560 (declining to expand the fair use doctrine "to create what amounts to a public figure exception to copyright").

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Deadline for Submission: December 4, 2015

Have you written a paper recently that sits in a drawer somewhere? How about putting it to work to earn some money for you?

The Intellectual Property Law Section's Annual Law Student Writing Competition recognizes the authors of the best publishable papers on subjects relating to the protection of intellectual property not published elsewhere, scheduled for publication, or awarded another prize.

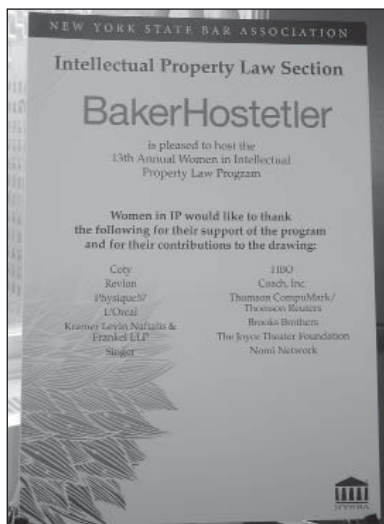
For complete details, visit www.nysba.org/IPWritingCompetition.

Section Activities

13th Annual Women in Intellectual Property Law

On Wednesday, June 10, 2015, the NYSBA Intellectual Property Law Section presented the 13th Annual Women in Intellectual Property Law event. The evening was hosted by BakerHostetler with a dessert reception sponsored by Thomson Reuters/Thomson CompuMark.

Each year this event allows women who work in intellectual property law to gather for an evening of networking with peers and to hear the stories of women who are at the top of their fields, and this year's event was no different.

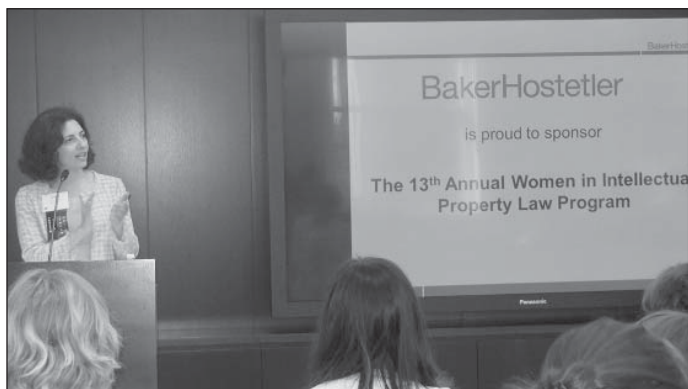


trial on large cases, persevering through firm acquisitions and mergers, finding a new job after realizing the advancement opportunities for women at a current job were limited, attending law school while raising a family, and becoming a lawyer after first having a career in the arts. The panelists also candidly answered questions from the audience, providing practical advice about setting oneself up for advancement, strategically handling mistakes, and successfully developing business.

This incredible diversity of experience and the honesty with which it was shared seemed to resonate with the attendees, each of whom likely learned

several things helpful and directly applicable to their own careers.

Both before and after the panel, attendees networked with and met women who work in all aspects of intellectual property law, including as outside counsel, in-house counsel, for vendors, and for other organizations that serve the intellectual property community.

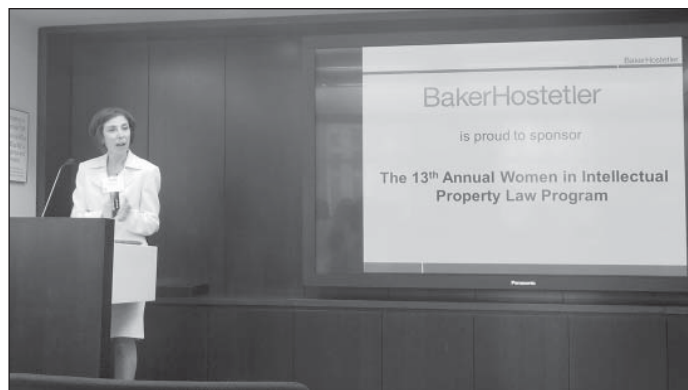


Co-chairs Joyce L. Creidy, Esq. of Thomson Reuters/Thomson CompuMark and Donna A. Tobin, Esq. of Baker & Hostetler, LLP organized a panel of women with diverse backgrounds and experiences who graciously spoke about the significant events that shaped their careers. Panelists Nubia Shabaka (Morgan Stanley), Sona De (Ropes & Gray LLP), Lauren A. Dienes-Middlen, (World Wrestling Entertainment, Inc.), and Karen Lim (Fross Zelnick Lehrman & Zissu, P.C.) were all generous in their presentations, providing rich personal details such as growing up in a single-parent household, attending Harvard Law School, acting as lead counsel at



As has become typical of this event, new connections were made, while old connections were reinforced. The openness of the panelists inspired others to share their own stories, prompting many personal connections that so often become lifelong relationships and can form the basis for fruitful business development. And, of course, there was the prize drawing! Revlon, Coty, L'Oréal, Colgate Palmolive, Singer, Thomson CompuMark, Coach, Physique57, Brooks Brothers, Kramer Levin, and BakerHostetler each donated a variety of items that resulted in an exciting end to a great event.

Kimberly M. Maynard
BakerHostetler, New York, NY



More Photos from the 13th Annual Women in Intellectual Property Law



MEMBERSHIP APPLICATION

New York State Bar Association

INTELLECTUAL PROPERTY LAW SECTION

Membership in the New York State Bar Association's Intellectual Property Law Section is a valuable way to:

- enhance professional skills;
- keep up-to-date with important developments in the legal profession;
- join colleagues in exciting Section events.

OPPORTUNITIES FOR EDUCATION

The Intellectual Property Law Section offers both the experienced and novice practitioner excellent opportunities to enhance their practical and legal knowledge and expertise. Through Section activities, including conferences on intellectual property (an annual Winter event), members may examine vital legal developments in intellectual property law. The Section's Web site provides current information regarding Section events and offers "members only" access to current issues of *Bright Ideas* and current Committee bulletins providing updates on intellectual property law. The Section sponsors continuing legal education (CLE) credit-bearing programs for Section members at reduced rates. Recent programs offered by the Section related to computer software and biotechnology protection, conducting intellectual property audits, and practical considerations in trade secret law. Now, with Mandatory Continuing Legal Education (MCLE) requirements, Intellectual Property Law Section membership is more valuable than ever before! The Section also sponsors joint programs with Law Schools including an annual writing contest for law students wherein the winning articles appear in an issue of *Bright Ideas*.

OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT

Intellectual Property Law Section committees address unique issues facing attorneys, the profession and the public. The Section offers opportunities to serve on committees such as Copyright Law; Diversity Initiative; Ethics; Greentech; International IP Law; Internet & Technology Law; Legislative/Amicus; Litigation; Patent Law; Pro Bono and Public Interest; Trademark Law; Trade Secrets; Transactional Law; and Young Lawyers.

Committees allow you to network with other attorneys from across the state and give you the opportunity to research issues and influence the laws that can affect your practice. Committees are also an outstanding way to achieve professional development and recognition. Law students are automatically members of the Young Lawyers Committee. Section members may join more than one committee.

A VOICE IN THE ASSOCIATION

The Intellectual Property Law Section takes positions on major professional issues that affect practitioners and advocates those positions within the New York State Bar Association, the legislature, and the public.

See page 25 to become a member of the Intellectual Property Law Section

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Please designate, from the list below, those committees in which you wish to participate. For a list of Committee Chairs and their e-mail addresses, please refer to page 26 of this issue.

- | | |
|---|--|
| ___ Advertising Law (IPS3000) | ___ Litigation (IPS2500) |
| ___ Copyright Law (IPS1100) | ___ Membership (IPS1040) |
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| ___ Ethics (IPS2600) | ___ Pro Bono and Public Interest (IPS2700) |
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| ___ International Intellectual Property Law (IPS2200) | ___ Transactional Law (IPS1400) |
| ___ Internet and Technology Law (IPS1800) | ___ Young Lawyers (IPS1700) |
| ___ Legislative/ Amicus (IPS2300) | |

Please e-mail your committee selection(s) to IntellectualProperty@nysba.org

* * *

To be eligible for membership in the Intellectual Property Law Section, you first **must** be a member of the NYSBA.

- ☐ As a member of the NYSBA, I enclose my payment of \$30 for Intellectual Property Law Section dues.
(Law student rate: \$15)
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Anyone wishing to submit an article, announcement, practice tip, etc., for publication in an upcoming issue of *Bright Ideas* is encouraged to do so. Articles should be works of original authorship on any topic relating to intellectual property. Submissions may be of any length.

Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Winter 2015 issue must be received by October 1, 2015.

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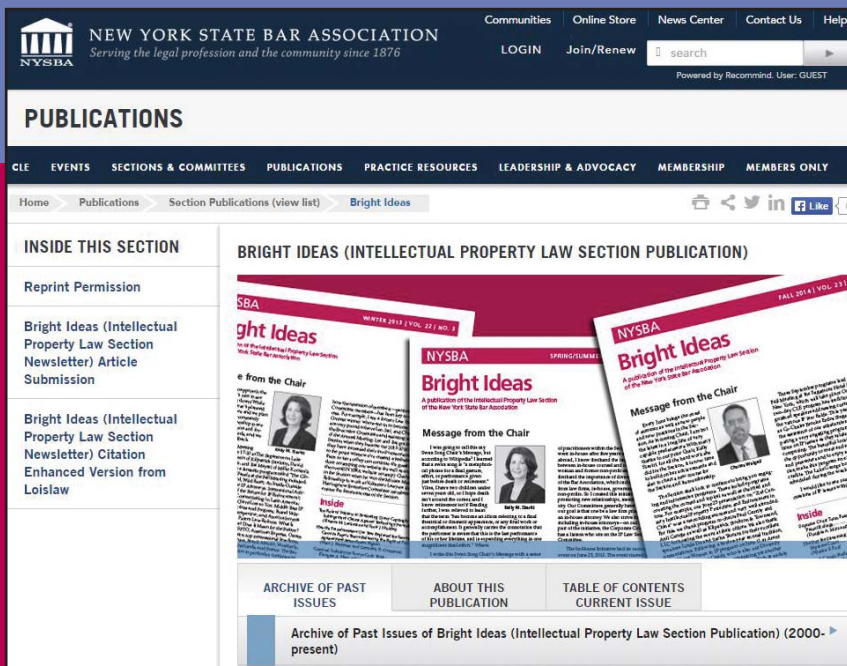
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