



Intellectual Property Law

NEWSLETTER



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How to Avoid Copyright Infringement; Bots Are Watching!

By Kevin R. Casey, Esq.

Perhaps encouraged by George Orwell's "Big Brother," the "copyright police" may be approaching your door — if they have not already knocked on it. Copyright owners, or companies acting on their behalf, are applying auto-scanning technology (e.g., bots) to identify those who might be using a copyrighted "work" on the internet. Works might include, for example, characters, cartoons, paragraphs, songs or even complete videos or articles. Users are then sent a take-down notice, typically



generated by a computerized system, seeking damages and legal fees. Much of the content is being used legally, however, and there is significant ongoing debate over copyright bots. At least some would ask copyright owners to rethink the "shoot-first-ask-questions-later" mindset behind these automated scanning and takedown systems.

Meanwhile, companies are encouraged to avoid the debate by preparing original material for any and all



purposes. We understand that, in some cases, a company might want to incorporate the works of other authors. Such incorporation must be considered carefully, however, and all use of third party works should be "cleared" from a copyright perspective. It can be a difficult process to determine whether permission is necessary, identify the copyright owner, negotiate permission rights and ultimately secure those rights. The following "flow chart" provides a guide for understanding the realm of copyright:

Continued on page 2

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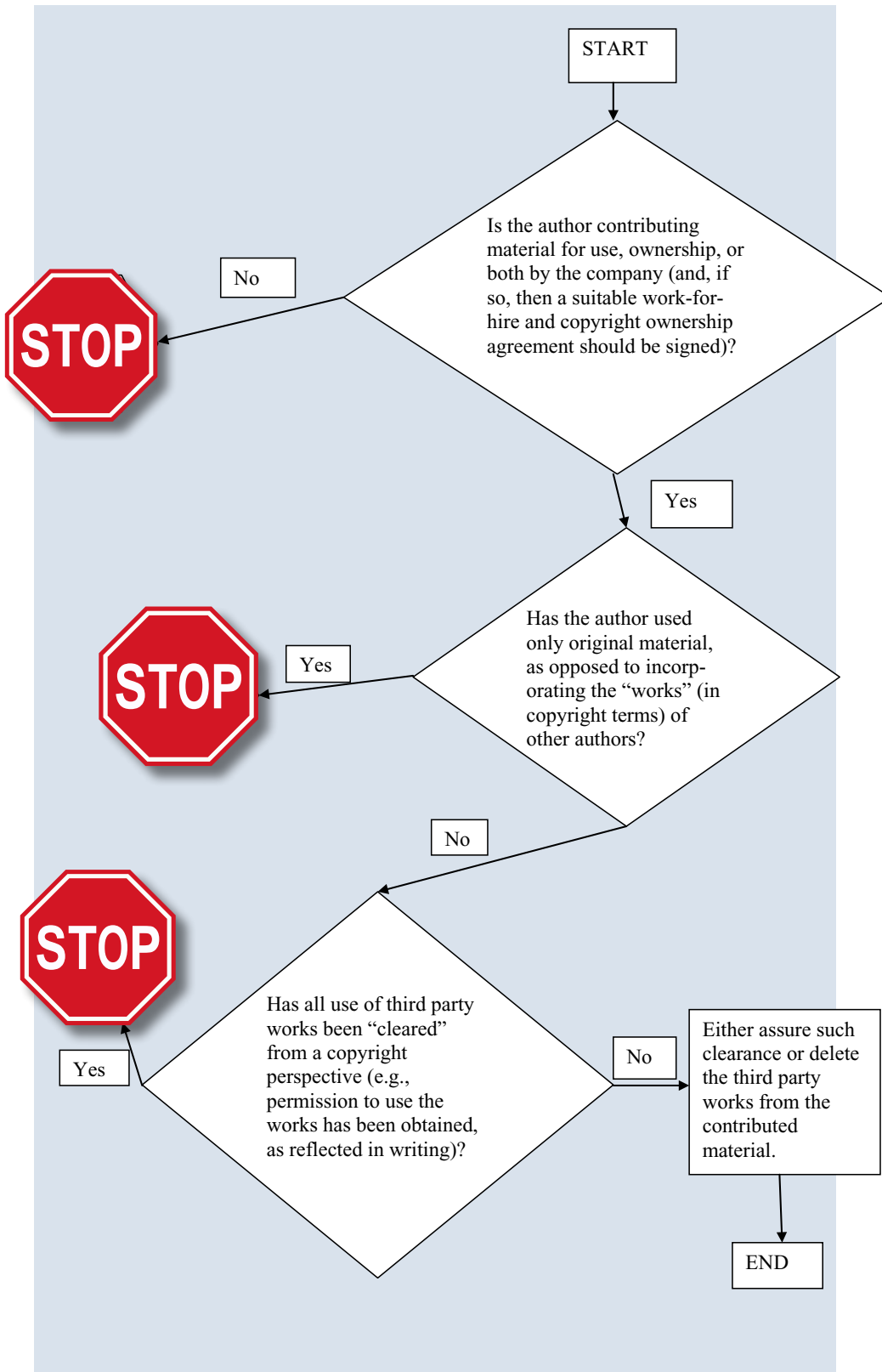
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How to Avoid Copyright Infringement

Continued from page 1



Once a decision has been made to “clear” use of a third party’s work, the first step is to determine whether to seek permission. In certain circumstances, use can be made of another’s work without permission from the copyright owner. The primary exceptions or defenses to using another’s work without permission are public domain materials and fair use. Predicting whether such exceptions or defenses apply to a specific use is often speculative and risky. The owner of the work may still file a lawsuit even when permission is not required, forcing defense of the claim. Thus, if your company is risk-averse and wants to avoid legal disputes altogether, the best practice is to obtain permission for all uses of third party work.

To obtain permission, the rightful owner of the work must be identified. The owner of the copyright, or the party who can license the rights, is not always obvious because copyrights can be transferred through a license or assignment. For example: (1) the author or original creator of a work may not own the copyright if the work was commissioned as a work made for hire or the copyright was assigned or licensed to another person or entity; and (2) the writer of a musical composition may not control the administration rights to the composition and those rights may be controlled by a music publishing company. Therefore, it may be difficult to identify the proper copyright owner to contact. Private investigators and professional search firms may be able to obtain this information if it is not readily accessible.

After identifying the rightful owner of the work, a deliberative strategy must be invoked before approaching the owner for permis-

Continued on page 3

How to Avoid Copyright Infringement

Continued from page 2

sion to use the work. It is generally best to keep all communications in writing (including sending a confirmation letter following any oral communications) to avoid any misunderstanding or confusion. Permission may come in the form, for example, of a license, a release or a covenant not to sue.

The U.S. Copyright Office provides helpful guidance about all things copyright on its website, www.copyright.gov. Additional guidance can be obtained from the websites of reputable universities. See, for example, the Copyright Information Center of Cornell University (<http://copyright.cornell.edu/policies/index.html>) and the Purdue University Copyright Office (www.lib.purdue.edu/uco). If you have any questions regarding preparation of materials and copyright issues, contact a reputable copyright attorney.

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Kevin R. Casey is chair of the intellectual property (IP) and the IP litigation groups at Stradley Ronon and an active member of the alternative dispute resolution (ADR) group. Kevin considers ADR to be an integral part of his

practice, participating in various ADR procedures as a party representative and as a neutral. He has counseled clients for over 30 years in all aspects of the IP field, focusing on patents, trademarks, trade secrets, licensing and opinions. Kevin has also been lead litigation counsel and has participated as assistant counsel in more than 60 cases. He has an active appellate practice before the U.S. Court of Appeals for the Federal Circuit, where he clerked for former Chief Judge Helen Nies. He has taught IP courses at Temple University School of Law as an adjunct professor since 1995 and has authored numerous papers on IP issues.

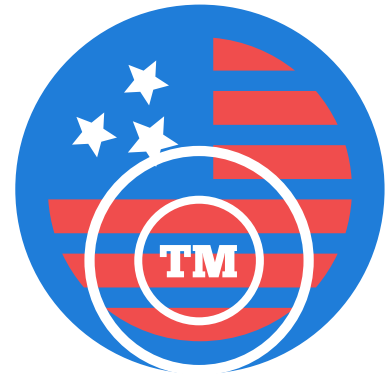
Is the *Shammas* Trademark Decision 'Un-American'?

By Kevin R. Casey

Under the “American Rule,” absent an exception such as a clear statement in the applicable statute that expressly authorizes the recovery of attorney fees, each party to a lawsuit must bear its own attorney fees and expenses for the litigation. In contrast, the “English Rule” requires the loser to pay both parties’ fees and expenses and, therefore, is basically a fee-shifting mechanism. Applicants who challenge in federal district court a decision of the Trademark Trial and Appeal Board (TTAB) of the U.S. Patent and Trademark Office (PTO) that upholds a PTO refusal to register a trademark may now be required to reimburse the government for PTO attorney fees — even if the applicant wins.

A. Background

Pursuant to 15 U.S.C. § 1071, a party who is dissatisfied with a decision by the TTAB may either appeal to the U.S. Court of Appeals for the Federal Circuit or commence a de novo civil action in a federal district court. If the applicant appeals to the Federal Circuit, the appeal is decided based on the record before the TTAB. If the applicant chooses a civil action, however, the applicant may introduce new evidence. Pursuant to 15 U.S.C. § 1071(b)(3), if an applicant commences a civil action where there is no adverse party (e.g., an opposer to the application to register a mark), then a copy of the complaint must be served on the PTO director and “unless the court finds the expenses to be unreasonable, all of the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not.” (Emphasis added.) In *Shammas v. Focarino*, 784 F.3d 219 (4th



Cir. 2015), the U.S. Court of Appeals for the Fourth Circuit addressed for the first time whether the PTO could recover attorneys’ fees pursuant to this provision.

Milo Shammas applied to register a trademark. The trademark examining attorney refused to register the mark, and the TTAB affirmed the refusal. Shammas then filed a de novo civil action in a U.S. district court. After Shammas lost the case on summary judgment, the government submitted a motion for reimbursement of about \$36,000 in expenses, including the prorated salaries of its attorneys. (Although Section 1071(b)(3) has existed for at least 40 years, the PTO had never before claimed attorneys’ fees as recoverable “expenses” under the statute.) The district court granted the PTO’s motion and directed Shammas to pay. Shammas appealed to the Fourth Circuit.

B. The Fourth Circuit Decision

A divided Fourth Circuit affirmed the district court’s decision. A majority of the appellate panel held that the American Rule applies only when the award of attorneys’ fees depends on whether the party seeking fees prevails. Because Section 1071(b) mandates payment of attorney fees without regard to a party’s success, the statute does not trigger the American Rule; Section 1071(b)(3) is not in fact a fee-shifting statute.

Continued on page 4

Shammas Trademark Decision

Continued from page 2

C. Practical Implications of the Shammas Decision

Before the *Shammas* decision, a dissatisfied applicant challenging a decision upholding a PTO refusal to register a trademark typically chose between filing a Federal Circuit appeal or filing a district court action based on three factors: (i) whether the applicant wanted to supplement the TTAB record, (ii) whether there was any choice-of-law benefit to proceeding in the Federal Circuit versus in a district court in another circuit, and (iii) the likely increased expense of a civil action that could include supplemental evidence and discovery and an appeal of the district court decision. Applicants must

now also consider a fourth factor: they may (and will, at least in the Fourth Circuit) have to pay the PTO's legal expenses in a district court action.

After *Shammas*, unsuccessful trademark applicants can be expected to file more TTAB appeals in the Federal Circuit rather than de novo actions in the district court. The risk of having to pay the PTO's attorney fees may also become a factor in counselling trademark applicants. The *Shammas* decision may have the indirect effect of increasing efforts and costs in appeals of PTO trademark examining attorney's refusals to the TTAB. Refused applicants may want to develop complete records in their appeals to the TTAB rather than rely on more limited arguments. Then, if the TTAB affirms a refusal, an applicant may appeal the decision to the Federal Circuit with the benefit of

a full record but without being obligated to pay the PTO's attorney fees. The proverbial "bottom line" is that clients and their attorneys may need to reconsider how to prosecute applications to register trademarks and appeal adverse TTAB decisions.

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To Be Continued: Copyright Owners' Attempts to Save Their Favorite Heroes from the Clutches of the Public Domain

By Denis Yanishevskiy, Esq.

Copyright vs. the Public Domain

In the year 2000, the release of the blockbuster film *X-Men* ushered in the modern age of superheroes in film, resurrecting and popularizing the comic book form of the first half of the 20th century for an entirely new generation of fans. For the next 16 years, films featuring individuals with extraordinary abilities with penchants for fighting crime have dominated Hollywood. Currently, three comic book movies hold their place in the top 10 of the highest grossing films of all time worldwide, each having earned more than \$1 billion in ticket sales. This film genre is slated to persist in the box office at least until 2020. As recent successes in film illustrate, literary characters are back in a big way; personalities that

existed only on the paneled page now permeate almost every aspect of popular culture, from the latest new release to clothing or theme parks.

The original stories of many such popular icons began, however, a long time ago. Many of the original creators of characters that are household names did not foresee the runaway success of their creations over time. Others attempted to exploit their characters during their lifetimes, never imagining that the pulp hero of the early 20th century would resurge as the action-hero-to-be for the children of the 21st.

Notably, the founding fathers wisely wanted authors to have only a limited time under U.S. law in which to commercialize their intellectual property, with much of the works of



the first half of the 1900s currently entering the public domain.¹ Nonetheless, the proliferation and appreciation in value of the intellectual property vested in literary icons in the modern era have encouraged authors or, in most cases, their heirs to attempt to hold onto or even regain some of the colossal value of their original works that are mega-hits today.² At the same

Continued on page 5