

In this Issue:

• The Patent Reform Act of 2010

By: Michael A. Mann

• Notable IP Group Activities

• The Transformative Obama “Hope” Poster: Fair Use or an Infringing Derivative Work?

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THE PATENT REFORM ACT OF 2010

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*Can I hit the snooze button now? -- No,
and that's real coffee you smell!*

Congress established the United State's patent system to meet one of the requirements in the Constitution, namely, to *promote progress in the useful arts and sciences* by securing for inventors and authors for limited times exclusive rights to their discoveries and writings. Abraham Lincoln put it more poetically: “The patent system adds the fuel of interest to the fires of genius.” And Brad Smith, Senior Vice President and General Counsel of Microsoft, put it squarely: “In an increasingly competitive and global economy, the country's prosperity depends more than ever on a healthy patent system.” “Robust Patent System is Key to a Prosperous U. S. Economy,” Inside Counsel, May 2010.

However, some critics of the patent system claim it has not kept up; others claim it has gone too far. Either way, they all believe patent reform is badly needed so that the patent system promotes progress and does not hinder it.

It looks as if they may get that reform this year. The proposed Patent Reform Act of 2010 enjoys bipartisan support as well as support from the Obama administration. Secretary of Commerce Gary Locke wrote a letter in April to Senators Sessions and

Leahy applauding their leadership in the senate in connection with this bill. He wrote, “there is consensus that a strong patent system, including an appropriately funded and well-functioning United States Patent and Trademark Office, fosters innovation that drives economic growth and creates jobs.”

Here is what this bill, if enacted, would change.

- Many of the changes are directed to reducing or simplifying patent litigation. Damages for willful infringement will be harder to get under the Patent Reform Act. The infringer must be found by clear and convincing evidence to have been “objectively reckless”; knowledge of the plaintiff's patent alone will not be enough to establish willfulness in infringement.
- In order to avoid an allegation by the defendant that the plaintiff patentee engaged in inequitable conduct in obtaining its patent, the patentee may request a supplemental evaluation by the US Patent and Trademark Office of its patent prior to filing suit. If the patent survives the evaluation, the plaintiff is exempt from allegations of inequitable conduct.
- Patents will be harder to invalidate. Currently, the patent applicant must disclose the best mode of practicing the invention. Under the Patent Reform Act, the applicant merely has to describe “a way” to make the invention, not necessarily the best way.
- Patent infringement suits may be partitioned into segments including infringement, validity, damages and

willfulness. Segmenting may save costs in preparing for trial in the cases where the patent is found not infringed. There will be no need to prepare for the segment on validity, damages or willfulness.

- Before determining damages for patent infringement, the court will be required to identify the methods and factors that are relevant in the determination of damages, and then the jury or court can award damages only if there is substantial evidence supporting its contentions regarding damages.
- The proposed legislation will change the basis for priority in the US from the first-to-invent system to the first inventor-to-file system, to harmonize it with the rest of the world and reduce disputes over who invented first.
- “False marking” allegations (that a device has been marked with a patent number that does not apply to the device) are only available to those who have suffered competitive injuries.
- To improve the quality of patents being issued, time will be provided during the pendency of a patent application for any party to submit information to the Patent and Trademark Office relevant to the question of the patentability of the invention described in that patent application.

These reforms are designed to remove some of the burrs in the patent system, particularly to reduce the cost of litigation and improve patent quality. No doubt, the hoped-for result will likely begin to manifest itself within the next few years. The real test of the success of the Patent Reform Act of 2010, however, is the effect these improvements will have, as Secretary Locke has said, in fostering innovation, driving economic growth and creating jobs.



NOTABLE IP GROUP ACTIVITIES

American Intellectual Law Association IP Practice in Japan Committee Spring Visit to Japan, 2010

John Hardaway of Nexsen Pruet's Intellectual Property Group traveled to Japan with the Japan Practice Committee of the American Intellectual Property Law Association. Mr. Hardaway is prior co-chair of the Committee, and co-chaired the Committee with David J. Kappos who is now the Director of the U.S. Patent and Trademark Office. A brief review of the Committee activity follows.

The Committee had a full week of meetings. The Committee was headed up by the President and Vice President of the American Intellectual Property Law Association and 20 committee members and officers.

The Committee spent a morning meeting with the American Chamber of Commerce in Japan. Discussions included the current political climate in Japan. An interesting follow up is that after this meeting the Prime Minister of Japan resigned and the new appointee is Mr. Naoto Kan. Mr. Kan is actually a Benrishi, i.e., a Japanese patent attorney.

The Committee met that afternoon with the Japanese Trademark Association with discussions on both the U.S. and Japanese side regarding trademark issues. The Japanese contingent reported on *Intellectual Property Border Enforcement and Japan Customs*. These were followed by presentations from the U.S. side regarding *Intent to Use Trademark Applications and Opposition Practice in the U.S.*

The Committee spent a full day with the Japan Patent Attorney Association, having a closed meeting with the leadership of the Japan Association and an open meeting in the afternoon where all practicing Japanese patent attorneys were invited. During the closed meeting, presentations

were made by both the U.S. and Japanese contingents relating to intellectual property controls in the respective countries. The U.S. section opined as to the effect of the Ariadlilly decision on written description and its impact on prosecution and claim construction. The U.S. made various presentations regarding the changes in the U.S. Patent and Trademark Office that have come about as a result of USPTO Director, David Kappos.

The closed meeting consisted of the U.S. contingent and 20 members of the leadership of the Japan Patent Attorneys Association.

The open meeting had only presentations of the U.S. Section to the Membership of the Japan Patent Attorneys Association. (Approximately 400 Japanese patent attorneys were present for the seminar presentations by the U.S. Committee.) Presentations were directed to *Obviousness Standards under KSR*, *The Evolution of Reexamination and Litigation in the U.S.*, *Current Patent Reform Efforts in the U.S.*, as well as pending cases on fraud in the USPTO. The U.S. Section attorneys conducted a mock trial of a typical patent infringement case for the benefit of the Japanese Patent Attorneys.

A repeat of the U.S. Delegation presentations occurred at the Japanese Intellectual Property Owners Association and at the Institute of Intellectual Property. One half-day was spent at the Japanese Patent Office meeting with the Japanese Commissioner of Patents, with discussions regarding difficulties faced by U.S. applicants in Japan.

On the final day of the meetings, a breakfast meeting was held with the staff of the U.S. Embassy and with resident FBI personnel to discuss cross-border enforcement efforts in Japan, particularly as they relate to counterfeit goods.

A further meeting was held with the Japan Federal Bar Association which is the Association of Bengoshi, who are more

closely related to a U.S. attorney status as opposed to a patent agent status. Many of the earlier presentations were repeated.

The final afternoon was spent with the Judges of the Intellectual Property High Court where a number of the cases from the Court of Appeals for the Federal Circuit were discussed. The judges were happy to receive this information and reported about similar cases heard in the IP High Court.

During the week there were a number of social events held with the various organizations. The IP Practice in Japan Committee entertained all of the respective groups from the various meetings at a closing reception at the American Club in Tokyo.

South Carolina Governor's School for Science and Math Foundation

On June 11, 2010, Mike Mann attended the June board meeting of the South Carolina Governor's School for Science and Math Foundation. The Governor's School for Science and Math is one of the top 20 public high schools in the US and derives significant funding from outside sources. The school is expanding enrollment to 300 students and adding economics and finance courses to its predominantly science and math curriculum.

International Trademark Association Annual Meeting

John Hardaway attended the annual meeting of the International Trademark Association where he met with counsel from many foreign countries with whom we work. John also played golf with a partner at Mintz Levin and at Marks & Clerk.

John also attended the FICPI joint meeting between the American, British and Canadian groups where served as president of FICPI U.S.

EngenuitySC

On May 26, 2010, Mike Mann attended the board meeting for EngenuitySC, a collaborative organization including USC, business and local government representatives, intended to develop the knowledge economy in the midlands of South Carolina.

State Board for Comprehensive Technical Education

On May 25, 26, 2010, Mike Mann attended the board meeting of the State Board for Comprehensive Technical Education as a member board of the SC Technical College System. Mike chaired a nominations subcommittee that, at this meeting, nominated candidates for chair and vice chair of the SCTCS for the coming two years, which nomination was seconded and passed unanimously. Several of the SC technical colleges made presentations about programs at their respective institutions.



infringes its copyrights in the original photograph. Attorneys for Mr. Fairey brought a declaratory judgment action asking the court to declare that the work was fair use of the underlying photograph.

This controversy highlights tension between those who believe in an expanded view of the Fair Use provisions in the Copyright Act¹ and those who have a narrower, traditional view.

Congress was given the responsibility for securing to authors exclusive rights to their writings in order to promote progress in the useful arts and sciences by the Constitution of the United States in the enumerated powers clause². To fulfill these responsibilities, Congress enacted the Copyright Act³. Various types of works by authors are protectable by copyright, not just writings such as essays and novels. Photographs, for example, are expressly protectable as copyrightable works of authorship by the Copyright Act⁴. Accordingly, Congress, as empowered by the U. S. Constitution has provided copyright protection for photographs.

The owner of the copyrights in a photograph not only has the exclusive rights to make copies of the photograph, and to distribute and sell those copies, but also to make *derivative* works, among the other exclusive rights⁵.

A derivative work is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, *art reproduction*, abridgment, condensation, or any other form in which a work may be recast, *transformed*, or adapted⁶. Thus, a derivative work, according to this statutory definition, of a photograph can include an art reproduction that transforms the photograph on which it is based. Because the author of the photograph has the exclusive rights to derive works from that photograph, it would seem fairly clear that the Associated Press, as owner of the copyrights in Mr. Garcia's photograph, would have the exclusive right

THE TRANSFORMATIVE OBAMA "HOPE" POSTER: FAIR USE OR AN INFRINGING DERIVATIVE WORK?

By: Michael A. Mann

In 2008, artist Sheppard Fairey wanted to create an artwork to support the candidacy of then-Senator Barack Obama. He found an Associated Press photograph from 2006 of the Senator taken by photographer Mannie Garcia. From that photograph, he created a poster in a street-art style reminiscent of the iconic image of Che Guevara over the word "HOPE". The poster instantly became an iconic image for the Obama campaign. Hundreds of thousands of copies have been sold.

Subsequently, the Associated Press asserted that the Obama HOPE poster

to make an art reproduction from that photograph. Therefore, it would seem that Mr. Fairey has infringed the exclusive rights belonging to the Associated Press by creating an art poster from the original photograph.

Mr. Fairey relies on Fair Use. Fair use is a defense to an act that would otherwise be an infringement of the copyright owner's exclusive rights. In general, in order to determine if the defense of fair use applies in any particular case, four factors are considered and weighed⁷.

The preamble to this section of the Copyright Act identifies specific purposes for engaging in acts that would otherwise constitute infringement, namely, criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research. None of these is applicable to Mr. Fairey's HOPE Poster.

The Fair Use section of the Copyright Act then sets forth a four-factor test to assist in determining whether the defense of Fair Use applies. The first of these factors is the most interesting in the HOPE poster case and the one that will be the subject of the focus of this article, but the other three include: (1) the nature of the copyrighted work, (2) the extent of the taking from the original work, (3) the effect on the market for the original work. Let us assume that all three of these factors weigh in favor of a finding of NO fair use, and that the case depends entirely on the first factor, namely, "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes⁸."

The fair use provisions of the US Code of Laws and court decisions are unclear as to the extent of the fair use, which is not surprising given the subjectivity that is inherent in the factors, but it seems questionable that an art poster derived from a photograph meets the criteria of the first factor. The poster was sold in large quantities. It may be argued that the poster

was a form of political speech, a visual expression of a viewpoint of the artist about his preferred candidate. Does that, however, mean that he does not have to get permission from the author of the photograph? Does that mean he can help himself to the copyrighted works of others? Speech, political or otherwise, is "free" but that does not mean that everyone is entitled to use another's radio station or soap box. So what is the argument being made by the attorneys for the artist and what is the support there are citing?

They are relying on language in the US Supreme Court decision in *Acuff v Two Live Crew*.

... the enquiry [concerning Fair Use] focuses on whether the new work merely supersedes the objects of the original creation, or whether and to what extent it is "transformative," altering the original with new expression, meaning, or message. *The more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.* [Emphasis supplied.] -- *Campbell v. Acuff-Rose Music Inc.*, 29 USPQ2d 1961 (U.S. 1994)

The more transformative the new work, the less will be the significance of the other factors and the greater the likelihood that the transformative work will be a fair use of the work on which it is based.

Is there a paradox here? The author of the original work has the right to make derivative works from his work and a derivative work is a *transformation* of the original. The court in *Acuff* is saying the more transformative the work, the more likely the new work is to be fair use and not an infringement of the exclusive rights of the copyright owner, including the right to make derivative works. Has the court just made a mistake or has it eliminated the exclusive right of the owner of the underlying work to make derivative works? Is the court

perhaps talking about a different type of transformation?

I think the court is talking about a different type of transformation than that required for derivative works, but a type that will not likely help the artist who created the Obama HOPE poster. The incredible reaction to the Obama poster is, in my view, evidence of not the extent of the transformation of it, but rather the type of transformation. There was no such reaction to the original photograph and the poster essentially looks like the photograph. In fact, a programmed computer found the photograph from the poster by matching features of one against the other, like matching fingerprints.

The transformation of the photograph to the poster was in the idea of making a street art-style poster from a photograph, a form that proved enormously resonant to the youthful followers of Candidate Obama. Had Artist Fairey painted an oil painting, I suspect the reaction would have been significantly muted. Had he painted a very abstract image from the photograph, Fair Use might apply. However, ideas are not copyrightable⁹, only certain expressions of ideas. Here, the artist created a derivative work, one that infringes the copyright

owner's rights and was not entitled to the fair use defense (discounting, of course, the impact of the other three factors of the four factor Fair Use test) and not work that "transforms the original" in the sense the Supreme Court likely intended, but one that was based on a significant unprotectable idea in its own right, namely, the use of a street-art style poster of a young and attractive presidential candidate. 

¹ 17 USC section 107, et seq.

² US Constitution, Article I, Section 8

³ 17 USC section 101, et seq.

⁴ 17 USC section 102 (a)(5)

⁵ 17 USC section 106 (2)

⁶ 17 USC section 101, Definitions, Derivative Work

⁷ 17 USC section 107

⁸ 17 USC section 107(1)

⁹ 17 USC section 102(b)

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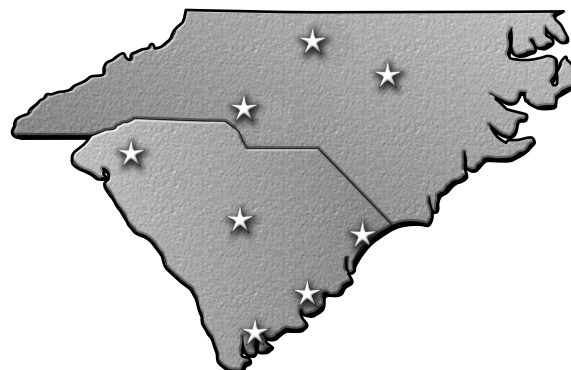
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