

January 2015

JOURNAL OF INTELLECTUAL PROPERTY LAW

Collected Writings of Banner & Witcoff in 2014



BANNER & WITCOFF, LTD.
INTELLECTUAL PROPERTY LAW

Journal of Intellectual Property Law

January 2015

**Collected Writings of
Banner & Witcoff, Ltd. in 2014**

Chicago
312.463.5000

Washington
202.824.3000

Boston
617.720.9600

Portland
503.425.6800

www.bannerwitcoff.com

Copyright 2015 Banner & Witcoff, Ltd., subject to any previously granted rights. Further duplication is not permitted without permission. All rights reserved. These materials are designed to provide thought-provoking ideas and information on the subjects covered. These materials are not legal advice and should not be used as such. The ideas and information provided may not necessarily reflect the opinions of Banner & Witcoff, Ltd. or its lawyers, may not reflect current legal developments, and are not guaranteed to be correct, accurate, complete or up-to-date. Viewing or use of these materials does not create an attorney-client relationship between you and any lawyer of Banner & Witcoff, Ltd., and you should not act upon the information contained without legal advice. You are welcome to contact any author for further information or advice on the subject of his or her writings.



*What inspires me?
A fresh perspective.*



Intellectual Property Law: Counseling, Licensing, Litigation & Procurement.

A national law firm with more than 90 attorneys and 90 years of practice, Banner & Witcoff provides legal counsel and representation to the world's most innovative companies. Our attorneys are known for having the breadth of experience and insight needed to handle complex patent applications as well as handle and resolve difficult disputes and business challenges for clients across all industries and geographic boundaries.

LITIGATION—The firm is a preferred litigation provider for Fortune 500 companies, midlevel companies, and technology-focused start-ups. The key to the firm's successful litigation practice is our ability to match an exceptional trial capability with a common sense approach to litigation, and we are committed to understanding how our clients will measure success because each matter is different. We take pride in tailoring litigation strategies to fit our clients' interests and goals, taking into account the legal framework, facts, and business realities of each case in a broad variety of substantive and technological areas. Our attorneys try cases before judges and juries in both federal and state courts around the country, at the appellate levels, and before the ITC and the USPTO. The firm has successfully represented clients in landmark cases, including several renowned intellectual property decisions including *Tasini v. The New York Times*, *Deepsouth Packing Co. v. Laitram Corp.*, and *Diamond v. Chakrabarty*.

TRADEMARKS—With our clients, our attorneys evaluate trademark use and registrability issues. We obtain trademark registrations efficiently and effectively for domestic and international clients. We devise overarching brand- and product-oriented trademark strategies, both offensive and defensive for our clients as well as licensing and assigning trademarks to and from our clients. We manage and maintain large and complex trademark portfolios for global corporations, and we enforce and defend against trademark infringement allegations both domestically and internationally, including through oppositions, cancellations, court litigation, and Customs procedures.

At Banner & Witcoff we believe that people with diverse experiences produce creative thinking, multiple perspectives on issues, and innovative problem-solving techniques in the practice of intellectual property law. That is why we are committed to creating and fostering a firm culture that values the differences among its attorneys, legal professionals, and support staff. As part of our commitment to diversity, Banner & Witcoff proudly offers the Donald W. Banner Diversity Scholarship for law students. Visit www.bannerwitcoff.com/diversity for more information.

PATENTS—Preparation and prosecution of patent applications, both in the U.S. and abroad, was the historical basis for the firm's practice at its founding in the 1920's, and has been significant in our client services ever since. Prosecution, licensing, counseling and opinion remain as important core services of the firm. We work with our clients to develop, manage and protect their strategic portfolios from the initial assessment through enforcement. Our experience includes all patent practice areas of law including: patent application filing and prosecution; appeals; interferences; and, reexaminations and reissue.

COPYRIGHTS—Our attorneys enforce rights through negotiation, arbitration and litigation. We establish programs for large quantities of copyright registrations, draft license agreements for authors and publishers, and provide counseling and opinions regarding everything from copyright of software to recipes and from architecture to literary works. The firm has also successfully implemented nationwide enforcement programs to stop importation of "knock-offs" of copyrighted goods. We have provided clearance opinions to website operators for copyrighted material including literary and artistic works; investigated and provided opinions regarding metatag infringement; and negotiated copyright licenses for on-line electronic media.

INDUSTRY EXPERIENCE

- Aerospace
- Athletic Equipment & Apparel
- Automotive & Transport
- Chemicals
- Computer Hardware & Software
- E-Commerce
- Electronics
- Energy
- Food & Beverages
- Financial Services
- Gaming
- Health Care
- Higher Education
- Industrial Manufacturing & Design
- Insurance
- Life Sciences
- Medical Devices & Methods
- Metals & Mining
- Telecommunications

COPYRIGHTS



**Supreme Court Debates Laches
Defense — Change is Coming**

Marc S. Cooperman

***Banner & Witcoff Intellectual
Property Alert***

January 22, 2014



Intellectual Property Alert: Supreme Court Debates Laches Defense — Change Is Coming

By Marc S. Cooperman

Jan. 22, 2014 — In an energetic oral argument on Jan. 21 that would have made first-year law students cringe, the Supreme Court debated the proper role of laches as a defense against the backdrops of statutory language versus Congressional intent, equitable versus legal remedies, and the Rules Enabling Act (for those of you who may not remember that, it's the 1934 Act leading to the creation of the Federal Rules of Civil Procedure). Specifically, in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, the Justices will decide what role, if any, the venerable equitable defense of laches plays under the Copyright Statute, where Congress has provided for an express three-year statute of limitations. Notably, based on the Court's questions, it is plausible that the decision will impact patent and trademark litigation as well, where laches is also frequently raised as a defense.

“Raging Bull”

The case involves a claim of copyright infringement concerning the movie and screenplay for the boxing biography “Raging Bull.” Petrella — the daughter of one of the authors — sued MGM claiming both damages and an injunction for violation of her father's copyrights. MGM won summary judgment that laches barred the suit because Petrella had delayed too long (allegedly 19 years) in filing suit. On appeal the Ninth Circuit affirmed, rejecting Petrella's argument that laches could not bar relief for infringing acts occurring within the three-year statute of limitations time period before suit was filed. The Supreme Court granted certiorari due to the split among the circuits as to the availability of laches as a defense in copyright cases, and what impact the defense has if it is available.

Supreme Court Argument

Every Justice except Thomas expressed views during the oral argument, in which the government also participated. Predictably, Justice Scalia was most active, interrupting Petrella's counsel immediately after he started. Scalia traded barbs with both sides, at one point suggesting to MGM's counsel that the Courts may not have the authority to even consider certain equitable defenses such as laches. Much of the debate focused on the “background” cases against which Congress legislated when it added the limitations statute, in an effort to discern the legislative intent. Several of the Justices agreed that laches — which addresses prejudice to one party caused by the unreasonable delay of the other party — serves a different purpose than a statute of limitations, and suggested that both can coexist. There was significant discussion, however, on the impact of a laches defense on the remedies available.

A Pox on the Federal Circuit?

Siding completely with neither party, the government advocated that laches should be available in “exceptional cases” as a defense within the three-year statutory period, but only as a bar to equitable relief, not damages. Justice Ginsburg pointed out that this does not align with the Federal Circuit’s precedent in patent cases, which holds just the opposite: that laches bars pre-suit damages but not equitable relief. The government’s counsel recognized this distinction and argued it was justified based on the differing statutory contexts. MGM’s counsel went further, arguing that the Federal Circuit “can’t be right” about preventing laches from impacting injunctive relief, as that was based on pre-*eBay* case law and reflects the Federal Circuit’s “predilection” for “categorical rules.”

Conclusion

It seems unlikely that the Supreme Court will adopt Petrella’s argument that laches is not available as a defense in copyright cases. What will likely come from the decision is guidance from the Justices concerning the proper role of laches when it is proven — specifically whether it may be considered when considering damages, injunctive relief, or both. This could have far reaching consequences into trademark and patent litigation, just as the Supreme Court’s copyright decision in *Grokster* provided guidance to the Federal Circuit in reshaping its induced infringement jurisprudence. The Court’s decision is expected by June.

To subscribe or unsubscribe to this Intellectual Property Advisory, please send a message to Chris Hummel at chummel@bannerwitcoff.com



www.bannerwitcoff.com

© Copyright 2014 Banner & Witcoff, Ltd. All Rights Reserved. The opinions expressed in this publication are for the purpose of fostering productive discussions of legal issues and do not constitute the rendering of legal counseling or other professional services. No attorney-client relationship is created, nor is there any offer to provide legal services, by the publication and distribution of this edition of IP Alert.



**The Google Books Case — Here's the
Skinny**

Steve S. Chang

***Banner & Witcoff Intellectual
Property Update***

April 21, 2014

Regarding the purpose and character of use, the court noted that Google's use was highly transformative, in that Google's scans of the books created an important tool for research that does not supplant the books.

THE GOOGLE BOOKS CASE – HERE'S THE SKINNY



BY: STEVE CHANG

I'm sure many of us have fond memories of the venerable library card catalog: the musty smell, the tiny wooden drawers and their endless deck of equally tiny, yellowed cards on which someone laboriously typed the Dewey Decimal code, bibliographic information and a short, textual summary of a book. But ever since the opening scene in the 1984 classic "Ghostbusters," library researchers have tirelessly sought to develop a way to catalog books in a way that isn't susceptible to ruination by the drawer-emptying, card-throwing tendencies of a ghost librarian¹.

In 2004, Google Inc. announced its solution. Google had entered into agreements with several major research libraries to scan the full text of millions of books in those libraries, to catalog the books electronically and allow users to run full-text keyword searches through those millions of books. However, the announcement troubled several authors and owners of copyright — should Google be permitted to make copies of their works, without permission? In 2005, The Authors Guild, Inc. and several individual authors filed suit against Google to challenge Google's plan. In late 2013, the U.S. District Court for the Southern District of New York ruled in Google's favor on summary judgment² and held that Google's actions were fair use. This article provides a summary of the issues involved, the reasoning behind the decision and the takeaways from the case.

¹ If you happened to miss this classic hit, it opens with a scene in which a ghost librarian slimes and scatters the contents of a library's card catalog, and ends with making you either want, or hate, marshmallows.

² *Authors Guild, Inc. v. Google, Inc.*, 954 F.Supp.2d 282 (S.D.N.Y. 2013).

IN A NUTSHELL, WHAT'S THE DISPUTE?

The parties do not dispute that Google is making copies of the books. The issue in dispute is whether that copying is protected under the Fair Use Doctrine.

WHAT'S FAIR USE, REALLY?

Fair use basically means there are certain situations in which copying is excused under the Copyright Laws. The Fair Use Doctrine is codified in 17 U.S.C. § 107 (the Copyright Act), and specifically states that "the fair use of a copyrighted work ... for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright." The Act goes on to list four key factors that a court should consider when evaluating a claim of fair use:

"In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include:

- 1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- 2) the nature of the copyrighted work;
- 3) the amount and substantiality 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."

Classic examples of situations where the Fair Use Doctrine has applied include: news reporters copying portions of a work for purposes of news reporting and criticism;³ users of VCRs recording television programs for later viewing;⁴ artists copying work, but transforming it to make new works,⁵ and in parody situations.⁶

WHAT DID THE COURT DECIDE, AND WHY?

On summary judgment, Judge Denny Chin considered a variety of factors, and ultimately concluded that Google's actions were fair use. The court considered the four factors enumerated above, but even before doing so, the court pointed out several aspects that tilted in Google's favor.

First, the court noted that Google took quite a few measures to ensure that users⁷ could not simply obtain a free copy of books by searching for them. Search results only showed users a "snippet" view of the search result in context. To counter users who may try to gather an entire book a snippet at a time, Google's search intentionally excluded 10 percent of the pages of a book from the snippet view, and intentionally excluded one snippet on each page so that the particular snippet would not be shown. Furthermore, works that had smaller chunks, such as dictionaries, cookbooks and books of haiku, were excluded from snippet view altogether.

Second, the court noted how beneficial Google Books is to scholarly research. The court pointed out that Google Books helps librarians find sources, facilitates interlibrary lending and is used in at least one education curriculum. The court also noted that Google's index allowed a new type of research — "data mining" — in which searchers could examine things like word frequencies and historical changes in grammar usage patterns in ways that simply were not feasible before the Google Books project.

The court also found that Google Books expands access to books (e.g., text-to-speech conversion allows access to the blind), helps preserve books (e.g., many of the scanned books were out-of-print texts that would be difficult to find otherwise), and also helps authors and publishers because the search results take users to links where the books can be purchased.

After extolling those virtues, the court went on to specifically address the four factors. Regarding the purpose and character of use, the court noted that Google's use was highly transformative, in that Google's scans of the books created an important tool for research that does not supplant the books. The court acknowledged that Google is a for-profit enterprise, but noted that Google doesn't sell the scans, does not run advertisements on the pages with the snippets and does not directly benefit from any commercialization of the books that it scanned. Google makes money indirectly since Google Books users, while on the site, may well use other Google tools with advertising revenue, but the court cited several prior cases in which fair use was found despite some commercial benefit being bestowed on the defendant. The court found that the first factor strongly favored a finding of fair use.

Regarding the nature of the work, the court noted that all of the books were published and available to the public and that the majority of the books (93 percent) were non-fiction (works of non-fiction generally receive lesser copyright protection since facts themselves are not copyrightable). The court found that the second factor favored a finding of fair use.

Regarding the amount and substantiality of the portion used, the court acknowledged that Google's copying was verbatim and complete, but emphasized that Google limited the amount of text displayed in response to a search and noted that the complete copying was needed to provide the Google Books functionality. On the balance, the court found that the third factor slightly weighed against a finding of fair use.

³ See, e.g., *Religious Technology Center v. Pagliarini*, 908 F.Supp. 1353 (E.D. Va. 1995) (*the Washington Post* newspaper quoted brief portions of Church of Scientology texts in an article, and its use was deemed a fair use); and *Italian Book Corp. v. American Broadcasting Co.*, 458 F.Supp. 65 (S.D.N.Y. 1978) (a television film crew covering a festival recorded a band playing a portion of a copyrighted song, and the film was replayed during the news broadcast — the unauthorized reproduction of the song portion in this case was deemed fair use).

⁴ See *Sony Corp. v. Universal City Studios.*, 464 U.S. 417 (1984) (home videotaping was deemed fair use).

⁵ See, e.g., *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994) (rap group 2 Live Crew sampled portions of the song "Pretty Woman," but transformed the small part copied to create a new work that was deemed fair use).

⁶ See, e.g., *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998) (a movie company superimposed head of actor Leslie Nielsen on a photo of a naked pregnant woman, parodying a famous magazine cover photograph).

⁷ The participating libraries were entitled to receive full digital copies of the books that the libraries provided to Google, but others only got a "snippet" view.

MORE>

[GOOGLE BOOKS, FROM PAGE 5]

As for the effect of the use on the potential market or value, the court disagreed with the plaintiffs, finding that it would be unlikely for anyone to try and piece together a full copy of a book one snippet at a time (and in view of the fact that some snippets and pages would simply never be found by such a user). The court found that a reasonable fact-finder could only find that Google Books enhances the sales of books, since the tool publicizes the books and provides convenient links to retailers selling the books. The court found that the fourth factor strongly weighed in favor of a finding of fair use.

Given the weighing above, the court concluded that Google Books is a fair use of the copyrighted books that it scanned.

WHAT'S NEXT?

The Authors Guild Inc. and the individual authors appealed the decision at the end of 2013, and the appeal is working its way through the Court of Appeals for the Second Circuit.

WHAT DID I MISS (TAKEAWAYS)?

Here are the big picture takeaways from the case thus far:

- Google Books' full-text scanning of millions of books to provide full-text search capability was deemed a fair use.
- Google Books helped its cause by 1) taking steps to prevent users from getting a free copy of the book through its searches, 2) avoiding direct profits from the use of the copied works, 3) providing links to help users purchase the books that were found in the search, and 4) providing a tool that offers many benefits to the research community.
- The case is currently under appeal at the Court of Appeals for the Second Circuit.
- There's a ghost librarian in the movie "Ghostbusters." ■

SAVE THE DATE!

BANNER & WITCOFF'S CORPORATE INTELLECTUAL PROPERTY SEMINAR

Please save Friday, Sept. 19, 2014, for Banner & Witcoff's Corporate IP Seminar at the University of Chicago Gleacher Center. We will host morning and afternoon sessions with topics selected to help you protect your corporation's IP assets.

If there are topics or questions you would like addressed during the seminar, please send them to us at event@bannerwitcoff.com. We look forward to seeing you in the fall!

FRIDAY, SEPT. 19, 2014
8:30 A.M.-4:30 P.M.
UNIVERSITY OF CHICAGO GLEACHER CENTER
450 N. CITYFRONT PLAZA DRIVE
CHICAGO, IL

For more information, please contact Chris Hummel at 202.824.3126 or chummel@bannerwitcoff.com



**U.S. Supreme Court Hears Oral
Arguments in *ABC v. Aereo***

Rajit Kapur

***Banner & Witcoff Intellectual
Property Alert***

April 23, 2014



Intellectual Property Alert: U.S. Supreme Court Hears Oral Arguments in *ABC v. Aereo*

By **Rajit Kapur**

April 23, 2014 – Yesterday, the U.S. Supreme Court heard oral arguments in *American Broadcasting Companies, et al. v. Aereo*. The case presents issues of copyright law in the context of streaming video content over the Internet, but the ruling could have a broader impact on cloud computing technologies.

Case Background

In Boston, New York and other select cities where Aereo has launched its service, Aereo enables its customers to receive and view broadcast television content on their computers or mobile devices via the Internet. Aereo charges its users a relatively small monthly fee for access to its service (\$8 or \$12 per month depending on the city), but unlike cable and satellite providers, does not pay a retransmission fee or provide any other compensation to the broadcasters whose signals Aereo captures to provide its service.

Notably, Aereo presents itself as an equipment rental company that merely provides an antenna and a digital video recorder (DVR) to each of its users — something that its users could purchase and legally use in their own home to view and record broadcast television — except that Aereo provides its users with access to their antenna and DVR over the Internet.

In addition, Aereo has designed its signal reception systems to include arrays of tiny antennas, each of which is about the size of a dime and can be dynamically assigned to an individual user when a user requests to view a particular broadcast channel. The video signal received by each antenna is individually recorded for only the one specific user to which the antenna has been assigned, allowing Aereo to further analogize its system to the rabbit ears antenna and personal DVR that each of its users could legally use in their own home to view and record broadcast television.

In March 2012, several broadcasters, including ABC, CBS, NBC Universal and Fox, sued Aereo, alleging copyright infringement. In particular, at issue in this case is the copyright laws' protection of the right of public performance of a copyrighted work. The broadcasters argue that Aereo infringes this right because its retransmission of their video broadcasts to Aereo users constitutes an unauthorized public performance of the copyrighted video broadcasts. In its defense, Aereo essentially argues that it is merely renting equipment to its users — in the form of an individual antenna, receiver and DVR — and simply providing access to this equipment via the cloud.

The Oral Arguments

Aereo's defense is grounded in its clever system design, which is seemingly tailored to avoid the provisions of the copyright laws — something that was not lost on the Supreme Court. Indeed, early on, Justice Ginsburg asked Aereo's counsel if there was a “technically sound reason” for using multiple antennas or if “the only reason for that was to avoid the breach of the Copyright Act.”¹

At several other points during the oral argument, Chief Justice Roberts pressed Aereo's counsel on whether there is any technological basis for its system design. For example, in a line that garnered laughter from the audience in the courtroom, Chief Justice Roberts told Aereo's counsel that “I'm just saying your technological model is based solely on circumventing legal prohibitions that you don't want to comply with, which is fine. I mean that's — you know, lawyers do that.”²

Humor aside, however, the Justices seemed very concerned from the outset about how a ruling against Aereo could impact the cloud computing industry more generally. Justice Sotomayor peppered the broadcasters' counsel very early on about this point, and her concerns seemed shared by several other Justices, including Justice Breyer and Justice Kagan.

Of particular concern to the Court was how its definition of “public performance” in this case could have a broader impact on cloud computing technologies. The right to publicly perform a copyrighted work is one of the rights protected under copyright law, and transmitting a copyrighted work to multiple recipients (e.g., via a broadcast television signal or radio signal) has traditionally been understood to implicate this right.

If, in this case, the Court were to rule that Aereo's transmission of a user-specific video recording to an individual user constituted a “public performance” of a copyrighted work, such a ruling might result in other types of user-specific transmissions of copyrighted works from cloud service providers to end users also being considered “public performances.” Justice Sotomayor specifically identified Dropbox and iCloud as examples of the types of services that she was concerned about impacting.³

Rather than ultimately ruling on whether Aereo is “publicly performing” a copyrighted work in providing its users with access to broadcast video content, however, the Court may be able to find another creative way to dispose of this case without affecting cloud computing technologies. For example, Justice Breyer raised the notion of the “first sale doctrine” during the oral arguments,⁴ which could allow the Court to draw a line between content that an end user has purchased and other types of content. Alternatively, the Court could remand the case — something else that Justice Breyer hinted at⁵ — perhaps to explore the question of whether Aereo

¹ Transcript of Oral Argument at page 30, lines 4-7.

² Transcript of Oral Argument at page 41, lines 20-25.

³ Transcript of Oral Argument at page 8, lines 6-16.

⁴ Transcript of Oral Argument at page 6, lines 7-18.

⁵ Transcript of Oral Argument at page 6, line 24, to page 7, line 7.

should be treated as a cable company that must play by the same rules that other cable and satellite providers are subject to.

Overall, the questioning of the broadcasters' counsel during the oral arguments seemed to reveal a great deal of concern that a ruling against Aereo might have a broader impact on cloud computing technology, while the questioning of Aereo's counsel seemed to reveal at least some skepticism that Aereo's service as it stands complies with the copyright laws. Nevertheless, it is difficult to predict how the Court will ultimately rule in this case, given the issues that the Justices seemed to struggle with on both sides of the argument.

We will continue to monitor this interesting case, which is *American Broadcasting Companies, et al. v. Aereo*, No. 13-461.

To subscribe or unsubscribe to this Intellectual Property Advisory,
please send a message to Chris Hummel at chummel@bannerwitcoff.com



www.bannerwitcoff.com

© Copyright 2014 Banner & Witcoff, Ltd. All Rights Reserved. The opinions expressed in this publication are for the purpose of fostering productive discussions of legal issues and do not constitute the rendering of legal counseling or other professional services. No attorney-client relationship is created, nor is there any offer to provide legal services, by the publication and distribution of this edition of IP Alert.



**Supreme Court Allows Copyright
Action, Holds No Laches Defense**

Ernie V. Linek

***Banner & Witcoff Intellectual
Property Alert***

May 20, 2014



Intellectual Property Alert: Supreme Court Allows Copyright Action, Holds No Laches Defense

By Ernest V. Linek

May 20, 2014 — Yesterday, in *Petrella v. Metro-Goldwyn-Mayer, Inc.* (No. 12-1315), the Supreme Court ruled that the doctrine of laches could not be invoked to bar a copyright claim that was brought within the statutorily allowed three-year window from a particular act of infringement — even though the copyright owner had a significant delay (over 18 years) from her inheritance of her father’s copyright in a screenplay first copyrighted in 1963. MGM made the screenplay into the motion picture, “Raging Bull,” based on the boxing career of former world middleweight boxing champion Jake LaMotta and starring Robert De Niro (who won the Best Actor Academy Award), in 1980.

Author Frank Petrella died during the initial copyright term, and by law, the renewal rights in his copyright reverted to his heirs. His daughter, Paula Petrella, renewed the 1963 copyright in 1991, becoming its sole owner. About seven years later, she advised MGM that its continued sale of the movie “Raging Bull” violated her copyright and threatened suit. About nine years later, in 2009, she filed an infringement suit, seeking monetary and injunctive relief limited to acts of infringement occurring in and after 2006.

As a defense to the infringement action, MGM asserted laches based on the 18-plus years during which MGM had continuously marketed the film. In its motion for summary judgment, MGM argued that this time constituted delay that was both unreasonable and prejudicial to MGM. The District Court granted MGM’s motion, holding that laches barred the complaint. The Ninth Circuit affirmed.

The Supreme Court reversed. The Court’s decision resolved a circuit split at the appellate level, where in copyright cases, some courts had applied the laches defense and others had not. The Court held that the lower courts had erred in “failing to recognize that the copyright statute of limitations, §507(b), itself takes account of delay.” *Petrella*, slip op. at 11.

The Copyright Act provides both equitable and legal remedies for infringement: an injunction “on such terms as [a court] may deem reasonable to prevent or restrain infringement of a copyright,” §502(a); and, at the copyright owner’s election, either (1) the “owner’s actual damages and any additional profits of the infringer,” 504(a)(1), which Petrella sought in the case, or (2) specified statutory damages, §504(c).

The Act’s statute of limitations (§507(b)) provides: “No civil action shall be maintained under the [Act] unless it is commenced within three years after the claim accrued.” A claim ordinarily accrues when an infringing act occurs.

However, under the **separate-accrual rule** that attends the copyright statute of limitations, when a defendant has committed successive violations, each infringing act starts a new limitations period.

The *Petrella* opinion emphasizes that the Court has “never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period.” *Petrella*, slip op. at 14-15.

Rather, the Court stated that laches is a “gap-filling, not legislation-overriding” measure that is appropriate **only** when there is not an explicit statute of limitations. *Id* at 14.

The *Petrella* ruling is in basic agreement with the position taken by the federal government during oral argument. The government argued that laches should be available only in “exceptional cases” as a defense within the three-year statutory period, and should serve only as a bar to equitable relief, not damages.

Of special interest to patent lawyers, during argument, Justice Ginsburg pointed out that the government’s position was contrary to Federal Circuit precedent in patent cases, which holds just the opposite, namely that laches bars pre-suit damages but not equitable relief. Also of special interest in the opinion is the text leading up to footnote 15 (*Petrella*, slip op. at 12-13). In footnote 15, the Supreme Court makes it fairly clear that the Federal Circuit may be due for another patent law reversal:

The Patent Act states: “[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint.” 35 U.S.C. §286. The Act also provides that “[n]oninfringement, absence of liability for infringement or unenforceability” may be raised “in any action involving the validity or infringement of a patent.” §282(b) (2012 ed.). Based in part on §282 and commentary thereon, legislative history, and historical practice, the Federal Circuit has held that laches can bar damages incurred prior to the commencement of suit, but not injunctive relief. *A. C. Aukerman Co. v. R. L. Chaides Constr. Co.*, 960 F.2d 1020, 1029–1031, 1039–1041 (1992) (en banc). **We have not had occasion to review the Federal Circuit’s position.**

(Emphasis added.) Justice Ginsburg delivered the opinion of the Court, in which Justices Scalia, Thomas, Alito, Sotomayor and Kagan joined. Justice Breyer filed a dissenting opinion, in which Chief Justice Roberts and Justice Kennedy joined. They would have affirmed the appellate decision based on laches.

To subscribe or unsubscribe to this Intellectual Property Advisory,
please send a message to Chris Hummel at chummel@bannerwitcoff.com



www.bannerwitcoff.com

© Copyright 2014 Banner & Witcoff, Ltd. All Rights Reserved. The opinions expressed in this publication are for the purpose of fostering productive discussions of legal issues and do not constitute the rendering of legal counseling or other professional services. No attorney-client relationship is created, nor is there any offer to provide legal services, by the publication and distribution of this edition of IP Alert.



U.S. Supreme Court Rules in *ABC v. Aereo*

Rajit Kapur

***Banner & Witcoff Intellectual
Property Alert***

June 26, 2014