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## INTELLECTUAL PROPERTY

## The Continued Relevance of the Intellectual Property Umbrella: What Patent, Copyright, and Trademark Lawyers Can Learn From One Another



BY BROOKE MYERS WALLACE

Long ago, attorneys who identified themselves as intellectual property lawyers meant it: they handled all kinds of IP matters. Today's IP lawyers, by contrast, tend to practice in a specialty—e.g., patent, copyright, or trademark. Patent litigators do not typically handle trademark disputes, or even patent prosecution. Copyright disputes are handled by “entertainment” lawyers more often than not. Some lawyers handle trademark and copyright matters, but not patent; they have even coined a name for themselves: “IPEP,” Intellectual Property Except Patent.

With all this specialization, however, comes the danger of Balkanization. By focusing on the rapid pace of developments in their specialty, IP attorneys may lose sight of the broader context in which those developments occur. The courts, including the Supreme Court in several recent cases, remind us that the IP umbrella is alive and well as they apply precedent from one spe-

*Brooke Myers Wallace is a senior associate in the Los Angeles office of Gibson, Dunn & Crutcher, and a member of the Intellectual Property Department. She is also a member of the Media, Entertainment, and Technology, and Emerging Companies Departments. She blogs at [lexpracticum.com](http://lexpracticum.com).*

cialty to another. Thus, regardless of one's specialization, today's IP lawyers would be wise to develop peripheral vision broad enough to spot potential areas for cross-pollination between the specialties.

### Recent Examples of Cross-Pollination

#### Patent Exhaustion & the Copyright First-Sale Doctrine

In its most recent patent law case, *Impression Products, Inc. v. Lexmark International, Inc.*, the Supreme Court held that the sale of a patented article—anywhere, under any circumstances—exhausts the patent owner's patent rights (i.e., its ability to bring an infringement action against the seller) in that article. 137 S. Ct. 1523, 122 U.S.P.Q.2d 1605 (2017). In support, the majority cited its 2013 decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, where it considered the geographical boundaries of the first-sale doctrine in copyright law. 568 U.S. 519, 538, 133 S. Ct. 1351, 106 U.S.P.Q.2d 1001 (2013).

Rejecting the argument that copyright precedent should not be brought to bear on patent law's bounds, the majority in *Lexmark* concluded that the common law principle against “restraints on the alienation of chattels” applies to patents and copyrights equally. 137 S. Ct. at 1526. The majority wrote: Patent and copyright law “share a ‘strong similarity . . . and identity of purpose,’ ” such that many everyday products are covered by both patents and copyrights, and thus, “[t]here is a ‘historic kinship between patent law and copyright law,’ and the bond between the two leaves no room for a rift on the question of international exhaustion.” *Id.* at 1539 (citing *Kirtsaeng*, 568 U.S. at 538). If the “bond” between patent law and copyright law is so close for the purposes of exhaustion, surely the two disciplines of intellectual property law will continue to influence one another in other respects.

#### Laches

In its 2014 opinion in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, the Supreme Court held that laches is not

a defense to a claim for damages for copyright infringement brought within the time bounded by the statute of limitations. 134 S. Ct. 1962, 110 U.S.P.Q.2d 1605 (2014). Legal scholars immediately, and presciently, sounded the death knell for the laches defense in patent cases. They were proven correct three years later, in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S. Ct. 954, 121 U.S.P.Q.2d 1873 (2017). Justice Stephen G. Breyer, in dissent, argued that the “majority’s strongest argument” in support of its holding was its prior decision in *Petrella*. *Id.* at 971. He maintained that not only was *Petrella* itself wrongly decided (he dissented there as well), but the differences between copyright and patent law counseled in favor of a different result in *First Quality*. *Id.* For example, he explained, the laches defense in patent law, unlike copyright law, had coexisted with its statute of limitations for “a century and a half.” *Id.* Nevertheless, the Supreme Court again applied a principle developed in the context of copyright law to patent law.

Does the death of the laches defense in patent and copyright cases portend the death of the defense in trademark cases? Unlikely. The Lanham Act, unlike the Patent and Copyright Acts, does not have an express statute of limitations, although some courts look to state trademark law for one. Given that, the laches defense will likely live to fight delay another day.

### Third-Party Liability

In IP law, just as in all tort law, third parties may be liable for the infringements of others. The legal standards for establishing third-party liability vary somewhat depending on the type of infringement (e.g., inducement vs. contributory, patent vs. copyright). (The character and extent of those differences merit an article unto itself and will not be addressed here.)

The roots of secondary liability for violations of intellectual property law are grounded in common law. The Supreme Court acknowledged as much in *Global-Tech Appliances, Inc. v. SEB S.A.*, where it observed that Congress enacted 35 U.S.C. § 271(b) and (c) in 1952 to codify the principles of induced and contributory patent infringement that had been developing for 80 years. 563 U.S. 754, 761, 131 S. Ct. 2060, 2065-66, 98 U.S.P.Q.2d 1665 (2011). Indeed, third-party liability for copyright and trademark infringement exists only because of their roots in the common law, as Congress declined to codify it in the Copyright Act or the Lanham Act. *See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930-31, 125 S. Ct. 2764, 2776, 75 U.S.P.Q.2d 1001 (2005). These shared roots counsel in favor of careful consideration of the differences between the legal standards. Today, the Supreme Court might see those differences as unsupported departure from otherwise common roots. Where there is parity between the standards, one should be prepared to leverage positive developments in the law—both in the articulation of the legal standards and the applications of facts to the law—from one discipline to cases in another.

A caveat: In 1984, in *Sony Corp. of America v. Universal City Studios*, the Supreme Court addressed whether a third party could be held vicariously or contributorily liable for copyright infringement under the Copyright Act. 464 U.S. 417, 418, 220 U.S.P.Q. 665 (1984). The Court looked for guidance to the Patent Act’s standard for contributory infringement under 35

U.S.C. § 271(c). It expressly declined to rely on its 1982 decision in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, where it addressed the standard for contributory trademark infringement. 456 U.S. 844, 854, 214 U.S.P.Q. 1 (1982) (“[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.”). In a footnote, the Court observed that it had “consistently rejected the proposition that a kinship,” like that between patent law and copyright law, “exists between copyright law and trademark law.” *Sony*, 464 U.S. at 439-440 n. 19 (emphasis supplied).

## Potential Areas for Future Cross-Pollination

### Attorneys’ Fees Awards

In 2014, the Supreme Court vacated the Federal Circuit’s standard for the imposition of attorneys’ fees in cases brought under the Patent Act in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.* 134 S. Ct. 1749, 110 U.S.P.Q.2d 1337 (2014) (citing 35 U.S.C. § 285). Before *Octane Fitness*, the Federal Circuit had interpreted Section 285’s “exceptional” standard to permit the award of attorneys’ fees in two “limited” circumstances. *Id.* at 1752. Either where “there ha[d] been some material inappropriate conduct,” or “when the litigation [wa]s both ‘brought in subjective bad faith’ and ‘objectively baseless.’” *Id.* (quoting *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 73 U.S.P.Q.2d 1457 (2005)). Moreover, the Federal Circuit had required litigants to prove their entitlement to fees by “clear and convincing evidence,” a higher standard than “preponderance of the evidence.” *Id.* at 1758.

The Supreme Court rejected this approach in *Octane Fitness*, concluding it was inconsistent with the statutory text and “unduly rigid.” *Id.* at 1751-52, 1755. Instead, the Supreme Court held 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.” *Id.* at 1756. Further, the Supreme Court lowered the evidentiary burden from “clear and convincing” to “preponderance of the evidence.” *Id.* at 1758.

Notably, the Supreme Court drew support for its holding in *Octane Fitness* from the cases decided under the Copyright Act. *See id.* (citing *Fogerty v. Fantasy Inc.*, 510 U.S. 517, 114 S. Ct. 1023, 29 U.S.P.Q.2d 1881 (1994)). It called the standards for determining whether to award attorneys’ fees in patent and copyright cases “comparable” and “similar.” *Octane Fitness*, 134 S. Ct. at 1756 n.6. Perhaps, but that would not have been obvious to a casual reader of the respective statutes. While the Patent Act specifies that attorneys’ fees may be imposed in “exceptional” cases (35 U.S.C. § 285), the Copyright Act’s standard for fee awards under 17 U.S.C. § 505 is not so limited. Rather, it specifies that attorney’s fees may be awarded in the court’s “discretion.” *Id.* Even more notable: the only mention of the Lanham Act’s “identical” fee-shifting provision, 15 U.S.C. § 1117(a), was in the context of one of several citations supporting the dictionary definition of “exceptional.” *Octane Fitness*, 134 S. Ct. at 1756 (citing *Noxell*

*Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521, 526, 227 U.S.P.Q. 115 (D.C. Cir. 1985)).

The question facing litigants and the lower courts post-*Octane Fitness* was whether it would be applied to copyright and trademark cases. In 2016, the Supreme Court answered that question in the *negative* for copyright cases, in *Kirtsaeng v. John Wiley & Sons, Inc.* 136 S. Ct. 1979, 118 U.S.P.Q.2d 1770 (2016). That said, the totality-of-the-circumstances test articulated in *Kirtsaeng* does not feel much different from the *Octane Fitness* test. The Supreme Court did not bother to explain how, if at all, the tests differed from each other.

Regarding trademark, the jury is still out, in that the Supreme Court has not yet spoken. But given that the Lanham Act's standard for fee-shifting ("exceptionality") is "identical" to that of the Patent Act (again, unlike the Copyright Act's), several appellate and lower courts have applied *Octane Fitness* to Lanham Act cases. *E.g.*, *SunEarth, Inc. v. Sun Earth Solar Power Co., Ltd.*, 839 F.3d 1179, 1181, 120 U.S.P.Q.2d 1386 (9th Cir. 2016); *Baker v. DeShong*, 821 F.3d 620, 625, 2016 BL 140355 (5th Cir. 2016); *Georgia-Pacific Consumer Prods. LP v. Von Drehle Corp.*, 781 F.3d 710, 721, 114 U.S.P.Q.2d 1370 (4th Cir. 2015), as amended (Apr. 15, 2015); *Slep-Tone Entm't Corp. v. Karaoke Kandy Store, Inc.*, 782 F.3d 313, 318, 114 U.S.P.Q.2d 1398 (6th Cir. 2015); *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 315, 112 U.S.P.Q.2d 1340 (3d Cir. 2014).

The fact that, in determining the legal standard for fee shifting in patent cases, the Supreme Court turned to its precedent in copyright cases, despite the lack of parity in the standards, signals just how important it is for practitioners to remove their blinders and be prepared to leverage advantageous case law from across the intellectual property disciplines in support of their clients.

### Preclusion of Agency Decisions

In 2015, in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, the Supreme Court held that certain decisions made by the Trademark Trial and Appeal Board (TTAB) in trademark registration oppositions could be preclusive in subsequent district court proceedings. 135 S. Ct. 1293, 113 U.S.P.Q.2d 2045 (2015). Specifically, issue preclusion will apply when the "ordinary elements of issue preclusion are met" and the substantive issues considered by the administrative agency are "materially the same" as those before the district court. *Id.* at 1310. The Court reasoned that "because the principle of issue preclusion was so 'well established' at common law, in those situations in which Congress has authorized agencies to resolve disputes, 'courts may take it as a given that Congress has legislated with the expectation that the principle [of issue preclusion] will apply except when a statutory purpose to the contrary is evident.'" *Id.* at 1303 (citing *Astoria Fed. Sav. & Loan Assn. v. Solimino*, 501 U.S. 104, 108, 111 S. Ct. 2166 (1991)). The Court concluded that it did not matter per se that the TTAB and district court applied different, albeit not materially so, legal standards (*id.* at 1306-07), or that the district court permitted live witnesses, whereas the TTAB did not. *Id.* at 1309. Any differences between the proceedings could be considered by the district court when determining whether it would be fair to give a TTAB decision preclusive effect. *See id.*

Although *B&B Hardware* dealt with the preclusive effect of TTAB decisions, the Court's reasoning seems to apply equally to decisions made by the U.S. International Trade Commission regarding patent infringement and validity. The ITC is an administrative agency with the authority to exclude from importation products that infringe U.S. patents. It applies substantially the same legal standards as district courts to discovery, claim construction, infringement, and invalidity determinations. Nonetheless, the Federal Circuit in *Texas Instruments Inc. v. Cypress Semiconductor Corp.* held that they are to be given no preclusive effect in subsequent district court proceedings, relying exclusively on the legislative history of the 1974 Trade Act. 90 F.3d 1558, 1569, 39 U.S.P.Q.2d 1492 (Fed. Cir. 1996), *cert. denied*, 520 U.S. 1228 (1997) (interpreting S. Rep. No. 1298, 93d Cong., 2d Session. 196 (1974), *reprinted in* 1974 U.S.C.C.A.N. 7186, 7329)).

In contrast, in *B&B Hardware*, the Supreme Court considered only the text and the structure of the Lanham Act itself to determine whether there was evidence of an "evident" reason why Congress would not want TTAB decisions to be preclusive. 135 S. Ct. at 1305. Further, a review of the recent Supreme Court patent opinions supports the observation that the Court seems intent on guiding patent law back to a more textualist approach. *See, e.g.*, *Octane Fitness*, 134 S. Ct. at 1755-1756 ("Our analysis begins and ends with the text of [Section] 285 . . ."). Given the dubious value of legislative history to certain justices, the Supreme Court could very well continue its recent trend of reversing (long-standing) Federal Circuit precedent in patent law cases and hold that decisions in ITC proceedings could be preclusive in subsequent district court cases, so long as the other requirements of issue preclusion are met. *See* Daniel E. Cummings, *Issue Preclusion and the ITC's Section 337 Investigations: A Reconsideration in Light of B&B Hardware, Inc. v. Hargis Industries, Inc.*, 7 Creighton Int'l & Comparative Law Journal 37, 71 (2016). Consequently, practitioners whose clients receive favorable results in an ITC Investigation should consider arguing that that determination is preclusive in the parallel district court proceedings, despite the Federal Circuit's decision in *Texas Instruments*, and preserve the issue for appellate review.

### Conclusion

As explained, the intellectual property umbrella is alive and well and there are lessons for practitioners to learn from developments in each of the specialties. That said, the Supreme Court's footnote admonition in *Sony* and the recent *Lexmark* and *First Quality* cases teach us that the "kinship" between patent and copyright law is more accepted, for now, than is a kinship between trademark, on the one hand, and patent or copyright, on the other.

It may nevertheless be appropriate to leverage developments in patent or copyright cases to trademark cases (and vice versa?) where it can be demonstrated that the result would advance intellectual property law's shared goal of balancing the public's access to creative works—including trademarks—and discoveries with motivating investment in the same.