

INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

Laches Survives in Patent Cases; DMCA Takedown Notices and Fair Use

We report on an important decision from the U.S. Court of Appeals for the Federal Circuit reconfirming the availability of a laches defense in patent cases, and on an important copyright case from the U.S. Court of Appeals for the Ninth Circuit requiring copyright holders to consider fair use before sending takedown notices to online content providers. We also report on copyright cases from the Second and Ninth Circuits addressing copyright protection for a derivative parody of a Hollywood movie and for a sequence of yoga poses.

Patent: Laches Defense

On Sept. 18, 2015, the en banc Federal Circuit reconsidered the viability of laches in patent cases in light of the Supreme Court's decision in *Petrella v. Metro-Goldwyn Mayer*, —U.S.—, 134 S.Ct. 1962 (2014). *Petrella* held that because the Copyright Act contains a statute of limitations, the equitable remedy of laches cannot bar a timely copyright claim, and further suggested that laches is not ordinarily a defense to any timely cause of action at law. The Federal Circuit reconfirmed the availability of laches in patent cases even after *Petrella*, in a 6-5 split decision. See *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods.*, —F.3d—, 2015 WL 5474261, at *1 (Fed. Cir. Sept. 18, 2015).

The Patent Act limits damages to acts of infringement occurring within the six years before suit is filed. See 35 U.S.C. §286. The act also codifies several broad categories of defenses in patent cases. See *id.* at §282(b). While laches is not named in Section 282(b), the Federal Circuit has long construed Section 282 to codify a laches defense that bars pre-suit damages. See generally *A.C. Aukerman v. R.L. Chaides Constr.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

SCA, the patentee, wrote to First Quality in 2003 suggesting possible patent infringement. First Quality quickly responded that the patent



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was invalid. SCA then did not sue until 2010. The district court granted First Quality summary judgment of laches, which a panel of the Federal Circuit affirmed. The Federal Circuit granted rehearing en banc to address (1) whether *Aukerman* should be overruled and the defense of laches abrogated in patent law, and (2) if laches survives, whether it should also bar damages incurred after the filing of suit and/or also bar imposition of a permanent injunction.

Chief Judge Sharon Prost, joined by Judges Pauline Newman, Alan Lourie, Timothy Dyk, Kathleen O'Malley, and Jimmie Reyna, reaffirmed

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the availability of laches as a defense. An initial question was whether the Patent Act even has a statute of limitations: the parties and their amici heavily debated whether Section 286 is a statute of limitations or just a restriction on damages. The majority concluded that Section 286 is only a damages restriction, but held that this was insufficient to distinguish *Petrella*. *SCA Hygiene*, 2015 WL 5474261, at *7. What mattered there, the court held, was that Congress had set a time period for the recovery of damages in the Copyright Act, and Section 286 of the Patent Act also bars damages based on timeliness.

The majority instead distinguished *Petrella* by focusing on the lack of a statutory laches

defense in the Copyright Act, and on the availability of such a defense in Section 282 of the Patent Act. The majority held that if Congress enacted both a time limitation on damages and a laches defense, it intended the two to coexist. Importantly, however, the Patent Act does not mention laches. *Id.* at *8. The majority instead looked to P.J. Federico's contemporaneous "Commentary on the New Patent Act" from 1952 to conclude that Section 282 was intended to include a laches defense, and then looked to contemporaneous case law to conclude that Congress intended that defense to apply to damages claims. *Id.* at *8–13.

Turning to the second question, the majority held that the facts that give rise to laches may also be considered in a district court's equitable decision whether to grant a permanent injunction, but that laches may foreclose post-suit royalties only "in extraordinary circumstances." *Id.* at *15–17.

Judge Todd Hughes dissented, joined by Judges Kimberly Moore, Evan Wallach, Richard Taranto, and Raymond Chen. Warning that the Supreme Court "has repeatedly cautioned this court not to create special rules for patent cases," they would have held that because Congress did not explicitly codify a laches defense in the Patent Act, laches cannot bar a timely claim for patent damages. *Id.* at *18 (Hughes, J., dissenting).

Copyright

In a closely watched lawsuit known as "the dancing baby case," the Ninth Circuit held that the sender of a takedown notification under the Digital Millennium Copyright Act of 1998 (DMCA) must consider whether the copyrighted material is protected by the fair use doctrine before sending the notice. See *Lenz v. Universal Music*, 801 F.3d 1126 (9th Cir. 2015).

The DMCA allows a service provider like YouTube to avoid copyright infringement from user-posted content if the service provider "expeditiously" removes or disables access to potentially copyrighted content upon receiving a so-called "takedown notification" from the copyright owner. See 17 U.S.C. §512(c). The notice must identify the copyrighted work and the infringing material and must include a certification that the copyright

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holder believes in good faith that the infringing material “is not authorized by the copyright owner, its agent, or the law.” Id. at §512(c)(3)(v).

The user may then respond with a “counter-notification,” which will result in restoration of the content unless the copyright holder sues to enjoin infringement. Id. at §512(g). Section 512(f) permits an action for damages against a copyright holder that abuses the DMCA takedown provisions, including by knowingly and materially misrepresenting that the posted material is infringing.

Stephanie Lenz uploaded to YouTube a 29-second home video of her two young children running around their kitchen, dancing to the Prince song “Let’s Go Crazy.” During the video, Lenz asks her son what he thinks of the music, “after which he bobs up and down while holding a push toy.” 801 F.3d at 1129. Lenz titled her video “‘Let’s Go Crazy’ #1.” An assistant in Universal’s legal department found the video, and included it in a takedown notice to YouTube along with over 200 other videos allegedly making unauthorized use of Prince’s songs.

Lenz filed a counter-notification, asserting that YouTube should not have taken down the video. In response, Universal argued that Lenz was not authorized to use Prince’s song, but—importantly—Universal did not make any reference to the doctrine of fair use. Lenz sued Universal for misrepresentation under Section 512(f). The district court denied Universal’s motion to dismiss and the parties’ subsequent cross-motions for summary judgment on that claim, and the Ninth Circuit accepted interlocutory review.

The circuit court noted that the Copyright Act specifically provides that “the fair use of a copyrighted work... is not an infringement of copyright.” *Lenz*, 801 F.3d at 1132 (citing 17 U.S.C. §107). It therefore held that fair use is “a use authorized by the law,” and that a copyright holder may not give the required good-faith certification without considering fair use. The court also held that Section 512(f) permits suits for nominal damages where the harm from the takedown notice is unquantifiable. Id. at 1137.

The panel then split on the facts of the specific case, and whether a genuine issue of material fact existed regarding Universal’s assertion that it formed a good-faith belief that the video did not constitute fair use. Central to that analysis was the Ninth Circuit’s prior decision in *Rossi v. Motion Picture Association of America*, which held that a copyright holder need only form a subjective good-faith belief, and not an objective good-faith belief, that the material is protected by copyright before sending a DMCA takedown notice. Judge Richard Tallman, joined by Judge Mary Murguia, held that Lenz had presented evidence that Universal formed no subjective belief about the video’s fair use at all, and that a jury would therefore need to decide whether Universal had a subjective good-faith belief about fair use or lack thereof.

Judge Milan D. Smith dissented in this regard, and would have held that Universal’s failure to consider fair use, coupled with its representation that the video was infringing, was sufficient to render Universal liable if, indeed, the video is a fair use of Prince’s song. *Lenz*, 801 F.3d at 1139 (Smith, J., dissenting).

Given what the majority described as “the pressing crush of voluminous infringing content that copyright holders face in a digital age,” *Lenz*, 801 F.3d at 1135, forming a subjective good faith belief about the fair use of a copyrighted work is a significant burden. On the other hand, requiring the user to prove subjective bad faith is a difficult burden as well. For these reasons and others, both parties have sought en banc review. Their petitions are pending.

Second Circuit Holds Derivative Fair-Use Parody May Itself Merit Copyright Protection. A derivative work that contains sufficient originality may itself merit copyright protection, the U.S. Court of Appeals for the Second Circuit held. See *Keeling v. Hars*,—F.3d—, 2015 WL 6600571, at *1 (2d Cir. Oct. 30, 2015.)

Jaime Keeling wrote a play called “Point Break Live!,” which is a parody of the 1991 action movie *Point Break*, starring Keanu Reeves and Patrick Swayze. Keeling’s parody copies the plot of the original and relies almost exclusively on dialogue from the original. From that base, Keeling then added her own jokes, props, and staging, including replacing the ocean waves of the original with squirt guns, writing characters of a director, cinematographer, and production assistants to create

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a behind-the-scenes perspective, and selecting a random audience member to play Keanu Reeves’s character by reading lines directly from cue cards, “thereby lampooning Reeves’s reputedly stilted performance in the movie.” Id. at *1.

Keeling had a production agreement with defendant Eve Hars to stage a two-month production run of “Point Break Live!” When that agreement ended, Hars concluded (after consulting an attorney and the holder of the copyright in “Point Break” itself) that Keeling had no rights in the parody play, and Hars therefore continued to produce the play without paying Keeling. Keeling sued, alleging copyright infringement. The case went to trial before Judge Thomas Griesa and a jury in the Southern District, which found for Keeling. Hars, then proceeding pro se, appealed.

The Second Circuit held that “when a derivative work’s unauthorized use of preexisting material is fair use and the work contains sufficient originality, its author may claim copyright protection under §103 for her original creative contributions.” Id. at *6. Hars also argued that Keeling’s original elements in “Point Break Live!” were simply stage directions and commonly used theatrical devices such as reliance on cue cards and drafting an audience member to play a role, and were thus not sufficiently original to merit copyright protection. The Second Circuit rejected this challenge, holding that Keeling’s creative contribution was the manner in which she selected, coordinated,

and arranged these elements, creating a copyrightable “compilation” under Section 103. Id.

Ninth Circuit Holds Bikram Yoga Sequence Not Protected by Copyright. A sequence of yoga poses was not entitled to copyright protection because it is an unprotectable idea, and is not protectable as a copyrightable compilation or as a choreographic work, the Ninth Circuit held. See *Bikram’s Yoga College of India v. Evolution Yoga*,—F.3d—, 2015 WL 5845415, at *1 (9th Cir. Oct. 8, 2015.)

Bikram Choudhury developed a sequence of 26 yoga poses and two breathing exercises and described them in his 1979 book, “Bikram’s Beginning Yoga Class.” In 2011, Choudhury and Bikram’s Yoga College of India brought a copyright suit against two yoga instructors trained in Bikram’s system who established their own yoga studio offering “hot yoga” similar to Bikram’s basic yoga system, including a 26-posture, two-breathing-exercises sequence. The district court granted summary judgment to the defendant, holding that the “sequence” is a collection of facts and ideas and thus not entitled to copyright protection. Choudhury appealed.

The Ninth Circuit affirmed. The court held that just as a cookbook is entitled to copyright protection for the words of the book but not for the recipes themselves, so, too, Choudhury’s publication of his yoga sequence extended copyright protection to his book, but not to the sequence itself. Id. at *4. Nor was the sequence a copyrighted “compilation,” because even a compilation of works must represent an original work of authorship and not simply an idea. Id. at *7.

The more subtle question was whether Choudhury’s sequence falls within the copyright protection for “pantomimes and choreographic works.” 17 U.S.C. §102(a)(4). Noting that the scope of protection for choreographic works is an uncharted area of law, with no Ninth Circuit definition for choreography, the court looked—as the Second Circuit has done—to the U.S. Copyright Office’s “Compendium of Copyright Office Practices” as persuasive authority. The compendium defines a choreographic work as “a related series of dance movements and patterns organized into a coherent whole,” and rejects dance movements that are “mere exercises, such as ‘jumping jacks’ or walking steps.” Id. at *9.

The Ninth Circuit did not decide whether to formally adopt the compendium definition because the yoga sequence was an idea, a process, or a system, and thus not a choreographic work even though it involved physical movement. “Even if the sequence could fit within some colloquial definitions of dance or choreography,” the court held, “it remains a process ineligible for copyright protection.” Id.