

INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

## Patent Exhaustion, Vodka, Ranch Houses, Monkey Selfies

**W**e report on an en banc decision from the U.S. Court of Appeals for the Federal Circuit clarifying the law of patent exhaustion, trademark cases involving Stolichnaya vodka and canvas tote bags, and copyright cases involving ranch-house floor plans and “monkey selfies.”

### Patent Exhaustion: Resales

Some recent Supreme Court and Federal Circuit cases construing the Patent Act have looked to the copyright and trademark statutes as persuasive authority, relying on symmetries and differences among the three bodies of law. On Feb. 12, 2016, the en banc Federal Circuit reconsidered some of its long-settled patent precedents in light of recent Supreme Court precedents, including the copyright exhaustion decision in *Kirtsaeng v. John Wiley & Sons*, 133 S. Ct. 1351 (2013). *Lexmark Int'l v. Impression Prods.*, No. 2014-1617, 2016 WL 559042 (Fed. Cir. Feb. 12, 2016) (en banc). While the court ultimately reaffirmed its prior patent precedents, the case is noteworthy because it addresses an important issue, and does so in an unusual and significant procedural posture.

At issue in *Lexmark* is the doctrine of “patent exhaustion,” which broadly provides

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that the first authorized sale of a patented item terminates the patent holder’s rights in that item, so that subsequent resales are not acts of infringement. The doctrine is not without its exceptions, however. For example, when the patent holder’s first sale is pursuant to a “single-use/no-resale restriction,” that sale does not authorize

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further downstream sales or purchases. *Mallinckrodt v. Medipart*, 976 F.2d 700 (Fed. Cir. 1992). And a first sale to a party outside the United States does not permit the buyer to then import the product into, or sell it within, the United States without permission of the patent holder. *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094 (Fed. Cir. 2001).

Two recent Supreme Court cases arguably called these precedents into question. In 2008, the Supreme Court discussed patent exhaustion in the context of patented-

method claims, and in doing so referred to a first “authorized sale” exhausting patent rights. *Quanta Comput. v. LG Elecs.*, 553 U.S. 617, 638 (2008). This led some to posit that *Quanta* had implicitly overruled *Mallinckrodt*, such that even restricted sales would exhaust patent rights. And then, in 2013, the Supreme Court decided *Kirtsaeng* and held that under the Copyright Act, the first unrestricted sale of a copyrighted work outside of the United States does exhaust the copyright holder’s rights in the work. 133 S. Ct. at 1358.

In *Lexmark*, the Federal Circuit revisited its patent-exhaustion cases in light of *Kirtsaeng* and *Quanta*. After hearing oral argument, the panel took the unusual step of declining to issue an opinion and instead ordering sua sponte that the case be heard en banc. See *Lexmark Int'l v. Impression Prods.*, 785 F.3d 565 (Fed. Cir. 2015). The en banc panel vote was 10-2, with Judge Richard Taranto writing a decision of almost 100 pages to detail the entire history of patent exhaustion and, ultimately, to reaffirm all of the court’s patent precedents. *Lexmark*, 2016 WL 559042 at \*1. That included holding that a first authorized foreign sale of a U.S. patented article (even without a reservation of rights) does not exhaust patent rights, even though a first foreign sale does exhaust copyrights under *Kirtsaeng*. *Id.* at \*47.

The court held that while the Copyright Act permits owners of copyrighted works to take certain actions without permission from the copyright holder, there are no parallel

provisions in the Patent Act. *Id.* at \*8. The court also held that *Quanta* did not overrule *Mallinckrodt*, and thus confirmed that a patentee who sells a patented article under otherwise-proper restrictions on resale and reuse does not exhaust his or her patent rights against a buyer (or downstream buyers) who engages in prohibited acts. *Id.* at \*47. Judges Timothy Dyk and Todd Hughes dissented and would have held that any sale of a patented item, even a sale made under a single-use/no-resale restriction, would result in exhaustion and that a foreign sale of a patented item results in exhaustion unless the seller explicitly reserves its rights in the United States. *Id.* at \*47.

### Trademark: Stolichnaya

Stolichnaya is one of the most prominent brands of vodka, worldwide. On Jan. 5, 2016, the U.S. Court of Appeals for the Second Circuit rendered its third decision relating to the “Stolichnaya” trademarks, deciding whether it could, and should, disturb the Russian government’s decree assigning the rights in the trademarks, and concluding that it could not and would not do so. *Fed. Treasury Enter. Sojuzplodoimport, OAO v. Spirits Int’l B.V.*, 809 F.3d 737 (2d Cir. 2016).

Stolichnaya was manufactured under that name in the 1960s by a Soviet state enterprise, which obtained U.S. trademarks for that brand name. During the collapse of the Soviet Union in the early 1990s, many state-run enterprises were privatized. The defendant, Spirits International B.V. (SPI), claims to be the privatized successor in interest to the Soviet enterprise that held rights to the Stolichnaya trademarks in the United States. It has a rival to that claim, the Federal Treasury Enterprise Sojuzplodoimport (FTE), which is an agency formed by the Russian Federation in 2002 to be the legitimate successor to the Stolichnaya trademarks.

In 2004, FTE unsuccessfully sued SPI over rights to the Stolichnaya trademarks in the United States. There, the Second Circuit held that FTE did not have standing as an “assign” of the Russian Federation, which had retained too great an interest in the trademarks. Thus, in response, the Russian

Federation officially decreed the transfer of the Stolichnaya trademark rights to FTE. *Id.* at 741–42.

FTE then brought this lawsuit against SPI in the Southern District of New York, alleging violations of Section 32(1) of the Lanham Act. Judge [Shira] Scheindlin dismissed FTE’s claims, holding that FTE still lacked statutory standing because the Russian Federation’s assignment was invalid under Russian law. *Fed. Treasury Enter. Sojuzplodoimport v. Spirits Int’l B.V.*, 41 F.Supp.3d 395, 407 (S.D.N.Y.) recons. denied, 56 F.Supp.3d 383 (S.D.N.Y. 2014). On appeal, the Second Circuit reversed in a unanimous decision written by Judge Dennis Jacobs, holding that the court would not disturb the Russian Federation’s decree transferring the trademarks to FTE. FTE, 809 F.3d at 740.

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In ‘*Savant Homes v. Collins*,’ the Tenth Circuit joined with other circuits in holding that “individual standard elements of architectural works are not protected, but original selections or arrangements of such elements may be protectable.”

The act-of-state doctrine precludes a federal court from reviewing the acts of a foreign government performed within that government’s own territory. Separately, the doctrine of international comity generally requires U.S. courts to defer to foreign proceedings and to respect decisions of foreign governments. Unlike the full faith and credit afforded to judgments of states within the United States, international comity is not mandatory and a federal court need not defer to a foreign judgment where doing so would contravene the policies or interests of the United States.

The court held that the Russian Federation’s decree transferring the trademarks to FTE was a non-reviewable act of a foreign government, that an inquiry into its validity under Russian law would be a breach of international comity, and that no U.S. policy or interest required that breach of comity. *Id.* at 743.

The Second Circuit also rejected the district court’s reasoning that the act of state doctrine does not apply where the acts of a foreign sovereign concern U.S. trademarks because trademarks are property interests, and there is policy public against confiscation of property interests located in the United States by foreign sovereigns. The Second Circuit explained that the public policy does not apply here because the Russian Federation’s decree had not impaired anyone’s property rights or affected jurisdiction of U.S. courts to decide competing claims over trademarks. *Id.* at 744.

### Copyright: Floor Plan

Section 102(a) of the Copyright Act protects “original works of authorship.” 17 U.S.C. §102(a). The requirement of originality mandates at least some minimal degree of creativity and separates elements protected by copyright (e.g., expressions) from unprotected elements (e.g., ideas). The Copyright Act expressly protects an “architectural work” under Section 102(a)(8), which is defined as “the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features.” *Id.* §101.

On Jan. 4, 2016, a unanimous panel of the U.S. Court of Appeals for the Tenth Circuit held that a custom-home designer’s floor plan was not copyrightable and was not inherently distinctive. *Savant Homes v. Collins*, 809 F.3d 1133 (10th Cir. 2016). Savant Home sued Douglas Consulting, another builder, and two homeowners for infringing Savant’s copyright in the floor plan of a three-bedroom ranch house. The district court granted summary judgment for the defendants, finding no protectable content in the floor plans.

The Tenth Circuit joined with other circuits in holding that “individual standard elements of architectural works are not protected, but original selections or arrangements of such elements may be

protectable.” *Id.* at 1139 (citing *Zalewski v. Cicero Builder Dev.*, 754 F.3d 95, 103–04 (2d Cir. 2014), *Intervest Const. v. Canterbury Estate Homes*, 554 F.3d 914, 919 (11th Cir. 2008)). Copyrightable architectural features have included a combination of twisting towers, diamond-window facades, set-backs and support grids in a building’s design, see *Shine v. Childs*, 382 F.Supp.2d 602 (S.D.N.Y. 2005), and convex/concave segments with exposed free-standing elevator towers, creating a “peek-a-boo” effect, see *Oravec v. Sunny Isles Luxury Ventures*, 469 F.Supp.2d 1148, 1165 (S.D. Fla. 2006) *aff’d*, 527 F.3d 1218 (11th Cir. 2008).

Here, however, Savant’s floor plan comprised almost exclusively standard elements arranged in a standard fashion. The possible exception was decorative iron bars on the garage windows. But neither of the accused houses actually had those bars on its garage windows, and thus, the court did not need to reach whether those bars could support a copyright interest.

### Copyright: Selfies

In 2011, a 6-year-old crested macaque named Naruto, living in a reserve in Indonesia, got hold of a camera owned and set up by David John Slater and took photographs of himself, which have come to be known as the “Monkey Selfies.” Slater published those photographs. People for the Ethical Treatment of Animals sued Slater and his publisher on Naruto’s behalf, alleging copyright infringement. *Naruto v. Slater*, No. 15-CV-04324-WHO, 2016 WL 362231, at \*1 (N.D. Cal. Jan. 28, 2016).

In *Cetacean Cmty. v. Bush*, 386 F.3d 1169, 1175 (9th Cir. 2004), the Ninth Circuit rejected arguments by a “self-appointed attorney for all of the world’s whales” that animals could have standing under four different Acts of Congress. The Ninth Circuit decided that although Article III “does not compel the conclusion that a statutory authorized suit in the name of an animal is not a ‘case or controversy,’” the federal courts will not read any statute to confer standing on animals where Congress has not plainly stated that animals have standing to sue. *Id.* at 1179.

Following that precedent, Judge William H. Orrick III held that even if it is possible for Congress to confer standing on animals, the Copyright Act does not confer standing on animals. *Naruto*, 2016 WL 362231, at \*3. And he found that while the act does not define “author” or “authorship,” there “is no mention of animals anywhere in the Act,” Supreme Court and Ninth Circuit copyright precedent repeatedly refers to “persons” or “human beings” when discussing authorship, and the Copyright Office defines a work of authorship as being created by a human being. *Id.* at \*3–4. The court thus held that Naruto is not an “author” with rights in his photographs.

### Trademark: Tote as Parody

Drivers and automobile passengers are familiar with the bumper-sticker series “My other car is a...”, by which an owner announces, usually tongue-in-cheek, that while the adorned car is old, worn, inexpensive, or otherwise not prestigious, his or her other car is a Mercedes or a Porsche or some other luxury brand. In *Louis Vuitton Malletier v. My Other Bag*, No. 14-CV-3419 (JMF), 2016 WL 70026, at \*1 (S.D.N.Y. Jan. 6, 2016), Judge Jesse Furman of the Southern District of New York held that a parallel concept—plain canvas bags that imply that the holder’s other bag is a luxury item—is protected from trademark infringement.

In 2011, Tara Martin founded My Other Bag, Inc., which sells simple canvas tote bags that display a drawing of an iconic luxury handbag on one side, and the phrase “My Other Bag...” on the other side. *Id.* at \*2. Among its products is a tote bag bearing a drawing that evokes classic Louis Vuitton handbags, with colors, lines, and patterns that resemble Louis Vuitton’s famous monogram designs. The images, however, replaced the interlocking “LV” and “Louis Vuitton” with interlocking “MOB” or “My Other Bag.”

Louis Vuitton Malletier sued My Other Bag for trademark infringement, dilution by blurring, and copyright infringement, asserting that My Other Bag’s use of its marks harmed their value. My Other Bag

asserted the fair-use defense of parody, embodied within the statutory provision allowing “identifying and parodying, criticizing or commenting upon the famous mark owner or the goods or services of the famous mark owner.” 15 U.S.C. §1125(c)(3).

One of the leading parody cases was also brought by Louis Vuitton, and holds that a “parody” is a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark’s owner.” *Louis Vuitton Malletier v. Haute Diggity Dog*, 507 F.3d 252, 260 (4th Cir. 2007). It is a “parody” if the work pokes fun at its subject. *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ’g Grp.*, 886 F.2d 490, 494 (2d Cir. 1989).

Judge Furman found that “My Other Bag” was a play on the “My Other Car” bumper stickers, and observed that Louis Vuitton “is perhaps unfamiliar with the ‘my other car’ trope. Or maybe it just cannot take a joke.” *Louis Vuitton*, 2016 WL 70026, at \*1. Even so, the court held, the “totes are just so obviously a joke, and one does not necessarily need to be familiar with the ‘my other car’ trope to get the joke or get the fact that the totes are meant to be taken in jest.” *Id.* The court also decided that “My Other Bag” is protected as fair use of Louis Vuitton’s copyrights. “Parody, even when done for commercial gain, can be fair use.” *Id.* at \*12. The court granted summary judgment on all claims against Louis Vuitton.