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In The  
**Supreme Court of the United States**

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PAULA PETRELLA,

*Petitioner,*

v.

METRO-GOLDWYN-MAYER, INC., et al.,

*Respondents.*

—◆—  
**On Writ Of Certiorari To The  
United States Court Of Appeals  
For The Ninth Circuit**

—◆—  
**BRIEF OF *AMICUS CURIAE*  
PROFESSOR ROBIN FELDMAN AND  
THE INSTITUTE FOR INNOVATION LAW  
OF THE UNIVERSITY OF CALIFORNIA  
HASTINGS COLLEGE OF THE LAW  
IN SUPPORT OF NEITHER PARTY**

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**STATEMENT OF INTEREST  
OF *AMICUS CURIAE*<sup>1</sup>**

*Amicus curiae* Professor Robin Feldman is an expert in intellectual property law, particularly issues involving the sciences, intellectual property monetization, and the intersection of intellectual property and antitrust. She is a Professor of Law and Director of *amicus curiae* the Institute for Innovation Law at the University of California, Hastings College of the Law, focused on innovation at the crossroads of intellectual property and emerging technology.

Professor Feldman has testified before Congress and the California legislature on intellectual property issues, and has provided commentary for the Federal Trade Commission, the Department of Justice, and the Patent & Trademark Office. Her empirical work on patent trolling was cited in the 2013 White House Report on Patent Assertion. Professor Feldman and the Institute for Innovation Law at the University of California, Hastings College of the Law submit this brief to highlight for the Court the critical role laches plays in defining appropriate boundaries for the assertion of intellectual property rights, particularly in light of the growing trend of monetization across

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<sup>1</sup> Counsel for all parties has consented to the filing of this brief, as indicated by consents lodged with the Clerk of this Court. No counsel for any party had any role in authoring this brief, and no person other than the named *amicus* and her counsel has made any monetary contribution to the preparation of this brief. *See* Rule 37.6.

all types of intellectual property, encompassing copyright, patent, trademark, and trade secret in the patent and copyright markets.



## SUMMARY OF THE ARGUMENT

In recent years, a troubling trend has occurred in the intellectual property system in the United States. Large numbers of intellectual property rights have been stripped away from underlying products, re-packaged, grouped, and traded as monetized assets. Some of this activity involves legitimate enforcement of rights, but much of it is opportunistic, inappropriately capitalizing on the costs and risks of litigation. Indeed, patent demands by monetizers cost U.S. companies 29 billion dollars in 2011 alone.<sup>2</sup> Moreover, in what economists are calling the “leaky bucket,” very little of that money flowed back to inventors or innovation.<sup>3</sup> Only an estimated 20% of the 29 billion dollars flowed back to original inventors or went into any internal R&D by the monetizers themselves. The implications for innovation are obvious: When companies spend money trying to protect their intellectual

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<sup>2</sup> See James E. Bessen & Michael J. Meurer, *The Direct Costs from NPE Disputes*, 99 CORNELL L. REV. (forthcoming 2014), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2091210](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2091210).

<sup>3</sup> See *id.*; Fiona Scott Morton & Carl Shapiro, *Strategic Patent Acquisitions*, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2288911](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2288911).

property position, they are not expanding; and when companies spend time thinking about patent demands, they are not inventing.

Legislatively derived limitations periods were not designed to, and cannot, effectively guard against inappropriate uses of monetized intellectual property rights. Only in the realm of equity can a necessary balance be struck, understanding the interests involved, investments made, and expectations developed among those who did not originally hold the asserted intellectual property right. Preserving the equitable defense of laches is, thus, essential to ensure the continued functioning of the intellectual property system.



## **ARGUMENT**

A confluence of factors in intellectual property law has created unprecedented opportunities for the inappropriate assertion of intellectual property rights. Characteristics present in certain intellectual property markets are allowing rightsholders to bargain for returns well beyond the value of the rights they hold. In addition, certain intellectual property markets are experiencing a shift to monetization, in which rights that would ordinarily have garnered no return are being reconstituted and monetized. The combination of magnification and monetization is creating opportunities for behavior that is harming

innovation, creating dysfunction in markets, and wasting vast amounts of resources.

The copyright system has existed for some time with a significant percentage of shadow rights, that is, rights that are never actualized or enforced in any manner. Two factors have greatly accelerated the sheer volume of unactualized copyrights. First, in an effort to conform to international norms and treaty obligations, the United States eliminated the requirements of notice and registration in 1989.<sup>4</sup> Prior to that time, for copyright to attach, an author had to place a copyright notice on a work and deposit a copy with Library of Congress.<sup>5</sup> Since 1989, copyright has attached the moment a work is fixed in a tangible medium of expression, and fixation occurs when a work is written down, photographed, or otherwise recorded. Elimination of the notice and registration requirement has meant that vast numbers of works have gained copyright protection, effectively without notice.

Second, the explosion of digital technology and digital communication methods has increased exponentially the number of works subject to copyright. People are constantly fixing things in a tangible

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<sup>4</sup> Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (codified as amended in various sections of 17 U.S.C.).

<sup>5</sup> U.S. Copyright Office – Registering a Work, COPYRIGHT.GOV, <http://www.copyright.gov/help/faq/faq-register.html> (last visited January 8, 2013).

medium of expression, things that would have remained inchoate in prior generations. Rather than making a phone call or engaging in a personal conversation, we email, text and Tweet. We record every moment of our friends and children's lives in still and video format, either capturing them unaltered, or manipulating them using ever-easier tools to produce our own movies, websites, and self-published works.

These changes have spawned an astoundingly vast amount of material that may be subject to claims of copyright. Modern technology has also increased the potential for harvesting copyright claims. Data mining tools may allow content creators to actualize their increasingly large numbers of rights – rights that would have previously remained unasserted. For example, a San Francisco law firm has acquired copyrights to a number of pornographic movies.<sup>6</sup> The firm uses digital tools, such as the torrent infringement tracker at [www.youhavedownloaded.com](http://www.youhavedownloaded.com), to find individuals purportedly infringing the copyright. The law firm then sends a letter demanding that the infringers pay a thousand dollar fine or defend themselves in court. Regardless of merit, a number of

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<sup>6</sup> *Suits Against Individuals*, PRENDA LAW INC., <http://we.fightpiracy.com/suits-against-individuals.php> (last visited Jan. 8, 2013); see also Megan Guess, *Angry Judge Blasts Port Trolls: "Someone Has an Awful Lot to Hide,"* ARS TECHNICA, Mar. 11, 2013, available at <http://arstechnica.com/tech-policy/2013/03/angry-judge-blasts-porn-trolls-someone-has-an-awful-lot-to-hide/>.

alleged infringers have chosen to pay quickly and quietly.

Copyright “trolling” is not, however, limited to lurid activities, but has reached into far more respectable corners. Some scientific publishers, for example, have begun suing patent attorneys for copyright infringement, contending the attorneys *must have* submitted copies of copyrighted journals as part of patent applications.<sup>7</sup> The United States Patent and Trademark Office (“USPTO”) requires applicants to submit physical copies of relevant articles from academic journals. Patent law firms already pay for on-line access to the journals and the USPTO has access to most of the articles, as well. Nonetheless, publishers are suing on the grounds that the physical copy that was attached to the application constitutes an infringing copy.<sup>8</sup> One academic journal acknowledged that its research into the infringement activity consists of “trolling through USPTO records.”<sup>9</sup>

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<sup>7</sup> See *Copyright: Law Firms Sued for Submitting Prior Art to the USPTO*, PATENTLY-O (Mar. 2, 2012), <http://www.patentlyo.com/patent/2012/03/copyright-lawfirms-sued-for-submitting-prior-art-to-the-uspto.html>; see also *John Wiley & Sons, Ltd. v. McDonnell Boehnen Hulbert & Berghoff LLP*, No. 12 C 1446, 2013 WL 505252 (N.D. Ill. 2013).

<sup>8</sup> See *id.*

<sup>9</sup> “Trolling through USPTO records’ is the typical language used in a cease and desist letter.” See *The New Choice: Inequitable Conduct or Copyright Infringement*, PATENTLY-O (Jan. 23, 2012), <http://www.patentlyo.com/patent/2012/01/copyright-license-for-ids-submissions.html> (last visited Jan. 8, 2013).

## I. LACHES IS A NECESSARY AND REASONABLE EQUITABLE LIMITATION ON COPYRIGHT CLAIMS IN NUMEROUS FIELDS

As the above examples demonstrate, the exploitative and arguably inappropriate assertion of intellectual property rights arises in an increasing variety of contexts. To highlight the critical importance of the laches defense in the face of this ever-expanding pool of – and market for – potential copyright claims, this *amicus* brief addresses the laches defense in two traditionally unconventional but increasingly common copyright contexts – namely, standardized medical tests and assessment tools; and “interoperability” standards in emerging technology. In both contexts, the opportunity to increase the value of an intellectual property right through so-called “network effects” – when the value of a product or service increases with the number of users –<sup>10</sup> can encourage rightsholders to delay enforcement of copyright and other intellectual property rights, to the serious detriment of many against whom purported intellectual property rights are asserted. Because other

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<sup>10</sup> See CARL SHAPIRO & HAL R. VARIAN, *INFORMATION RULES* (1999), Harvard Business School Press. ISBN 0-87584-863.X (a “network effect” is the effect one user of a good or service has on the value of that product to other people. When network effect is present, the value of a product or service is dependent on the number of others using it.).

equitable defenses do not sufficiently deter this obviously prejudicial activity, a laches defense to civil copyright claims is proper and necessary to bar unreasonably delayed claims, including those brought within statutes of limitation.

**A. In the Medical Arena, Laches May Be the Only Defense Available to Good-Faith Actors Against Whom Copyright Infringement Claims are Levied**

This point is well illustrated by the mounting crisis surrounding the Mini-Mental State Examination (“MMSE”).<sup>11</sup> The MMSE is a brief, 30-point questionnaire used to assess cognitive function. It is widely used to screen for cognitive impairment in elderly patients, to follow the progress and severity of dementia, to assess the cognitive impact of an injury, stroke, psychiatric illness, and to provide a *standard*<sup>12</sup> measure of cognition in research studies. The MMSE test includes simple questions and problems concerning orientation in time and place, memory, attention,

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<sup>11</sup> See John Newman & Robin Feldman, *Copyright and Open Access at the Bedside*, 365 NEW ENG. J. OF MED. 2449 (2011). C. Bree Johnston was also an essential author. See generally Robin Feldman & John Newman, *Copyright at the Bedside: Should We Stop the Spread?*, 16 STAN. TECH. L. REV. 623, 625-27 (2013).

<sup>12</sup> “Standardization” and “interoperability” standards are a recurring motif that substantively informs the laches debate. See *infra* Part I.C.



language use and comprehension, and basic motor skills.<sup>13</sup>

The MMSE was first published in 1975 in a scholarly article.<sup>14</sup> Ostensibly, at that time, the authors retained copyright interests in the test. Nonetheless, the MMSE was widely and freely distributed for *decades*. For twenty-five years or more, the test was copied and distributed innumerable times in a variety of media formats, finding its way into ubiquity through teaching materials, medical reference books, informational websites, and the internal websites of medical institutions. The widespread and free availability of the MMSE soon became its principal benefit.<sup>15</sup> Researchers working in different settings and at different times could compare and evaluate results measured against the same benchmark. Doctors moving from patient to patient or hospital to hospital had an easy point of reference for comparing the status of patients. As a direct result of its ready accessibility, its use for the evaluation of

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<sup>13</sup> Marshal F. Folstein, Susan Folstein & Paul R. McHugh, “*Mini-Mental State*”: A Practical Method for Grading the Cognitive State of Patients for the Clinician, 12 J. PSYCHOL. RES. 189-198 (1975).

<sup>14</sup> *Id.*

<sup>15</sup> “To our knowledge, the authors made no attempts to assert copyright against these uses across the decades.” Feldman & Newman, *Copyright at the Bedside*, *supra* note 11, at 626.

cognitive impairment became a standard – and *the* standard of care.<sup>16</sup>

Twenty-five years later, in 2000, all this began to change when the authors transferred copyright of the MMSE to MiniMental LLC (“MiniMental”), a Massachusetts corporation they founded.<sup>17</sup> In March 2001, MiniMental granted Psychological Assessment Resources (“PAR”) all exclusive rights to publish and license all intellectual property rights to the MMSE in all media and languages across the world.<sup>18</sup> Nine years later, in February 2010, PAR released a second edition of the MMSE and commenced an enforcement campaign to monetize its exclusive right to distribute the MMSE.<sup>19</sup>

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<sup>16</sup> See, e.g., Kenneth Shulman et al., *IPA Survey of Brief Cognitive Screening Instruments*, 18 INT’L PSYCHOGERIATRICS 281, 288 (2006) (survey reporting that the Mini-Mental State Exam “is the test that is most widely recognized and is considered a well-known standard benchmark. Everyone can relate to a score on the MMSE because of its widespread use and familiarity. It has become the lingua franca of cognitive screening.”).

<sup>17</sup> U.S. Copyright Office Registration No. TX0005228282 (June 8, 2000).

<sup>18</sup> U.S. Copyright Office Registration No. TX0007369373 (Nov. 23, 2010).

<sup>19</sup> For example, PAR asked UpToDate to remove the MMSE from its website. See *MMSE Copyright Frequently Asked Questions*, 1-3 (2006), U.S. DEPT OF VETERAN AFFAIRS, <http://www.pbm.va.gov/clinicalguidance/faqsheets/MMSECopyrightFAQ.pdf> (last visited Mar. 20, 2012). See also *About PAR*, <http://www4.parinc.com/About.aspx> (last visited Mar. 20, 2012).

As a direct consequence of MiniMental and PAR's delayed enforcement campaign, the MMSE has disappeared from the latest editions of medical textbooks, pocket guides, and clinical toolkits, and impaired clinical patient testing and diagnostics.<sup>20</sup> Primary care physicians, neurologists and psychiatrists in the medical field have lost an essential diagnostic "interoperability" standard that the community of medical professionals and researchers have substantially invested in for the past thirty-five years. Today, the MMSE story is poised to repeat itself again in the many tools in daily clinical use, from cognitive screening and clinical tests to prognostic indices.

The MMSE is also a prime example of how the potential for network effects can create unintended incentives to delay enforcement of intellectual property. Silence in the face of widespread adoption of the MMSE test across several decades brought about a reasonable expectation on the part of health care professionals that the test was and would continue to be freely available. Indeed, the advantages of everyone using the same test can persuade users to stay with a particular test, even if it is not the best test

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<sup>20</sup> Ruth Martin & Desmond O'Neil, *Taxing Your Memory*, 373 THE LANCET 1997, 2009-10 (2009); "Given the uncertain legal terrain, doctors and researchers are quietly acquiescing to the demands of those asserting copyright in medical tests, for fear of becoming entwined in lengthy and expensive legal proceedings that could result in a costly judgment." Feldman & Newman, *Copyright at the Bedside*, *supra* note 11, at 625.

available.<sup>21</sup> In fact, in the MMSE model, medical professionals have oft noted that the MMSE has meaningful drawbacks and weaknesses, but that its current and past prevalence has nonetheless advocated for its continued use.<sup>22</sup> Thus, the MMSE demonstrates how network effects – i.e., representing or silently permitting free and unrestricted use – can in fact generate the lion’s share of value in an intellectual property work. Accordingly, there exists a strong incentive to delay enforcement in order to increase network effect and therefore monetary worth of a work.

When the creator of a work has allowed a belief to develop that others may freely use the work, the creator should not be able to later decide that very widespread adoption of the work is a fortuitous way to make money. In these cases, the majority of the

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<sup>21</sup> *Id.* at 646.

<sup>22</sup> See, e.g., Shulman et al., *IPA Survey, supra* (survey reporting that while the MMSE has become the lingua franca of cognitive screening, it has limitations related to sensitivity, as well as cognitive biases with respect to education, culture, and language); David Knopman, *The Initial Recognition and Diagnosis of Dementia*, 104 AM. J. MED. 2S (1998) (noting that the MMSE is the most widely used quantitative mental status examination in North America, but noting that its major drawback is lack of sensitivity for detecting mild dementia). As one article author noted, the MMSE stands out more for its widespread use than for any special properties or for its clinical uniqueness. J. Wesson Ashford, *Screening for Memory Disorders, Dementia and Alzheimer’s Disease*, 4 AGING HEALTH 399, 402 (2008).

supposed value of the intellectual property has been added by society, rather than by the creators. Such delayed enforcement of intellectual property rights has long been and should continue to be judged inequitable conduct, which distorts and thwarts the intent of the Copyright Clause. Conceptualizations of intellectual property in general, and copyright in particular, envision creating incentives for value that flow from the contribution of the creator,<sup>23</sup> rather than society's own contributions through network effects.<sup>24</sup> Judge Learned Hand famously explained the rationale behind laches precluding delay enforcement attempts:

“[I]t is inequitable for the owner of a copyright, with full notice of an intended infringement, to stand inactive while the proposed infringer spends large sums of money in its exploitation, and to intervene only when his speculation has proved a success. Delay under such circumstances allows the owner to speculate without risk with the other's money; he cannot possibly lose, and he may win.”

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<sup>23</sup> Feldman & Newman, *Copyright at the Bedside*, *supra* note 11, at 647.

<sup>24</sup> *Id.*

*Haas v. Leo Feist, Inc.*, 234 F. 105, 108 (S.D.N.Y. 1916).<sup>25</sup>

There is little difference between *Haas* and the circumstances surrounding the delayed enforcement in the modern MMSE scenario. In place of a single proposed infringer who reasonably relied on plaintiff's inaction or delay, the proposed infringer is the community of medical practitioners, researchers, and the general public at large who have reasonably relied – investing considerable time, money, and resources – and thereafter suffered harm upon the loss of a medical community diagnostic standard.

**B. Similarly, in the Emerging Technology and Software Industry, Laches May Be the Only Defense Available to Good-Faith Actors Against Whom Monetizers Levy Copyright Infringement Claims**

The issue of network effects creating harmful delaying incentives for rightsholders is especially relevant in the ever-growing emerging technology and software sphere. “Interoperability” standards enable products and services offered by different vendors to work together seamlessly.<sup>26</sup> Once standards are broadly

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<sup>25</sup> See also *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354 (9th Cir. 1947); *Blackburn v. Southern Cal. Gas Co.*, 14 F. Supp. 553 (S.D. Cal. 1936).

<sup>26</sup> The 802.11 “Wi-Fi” standard developed at the IEEE Standards Association and the H.264 video coding standard  
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adopted, markets become “locked-in” and switching to a different, and even a more efficient, technology becomes prohibitively costly. After such a lock-in, owners of an intellectual property right that has been integrated into even a trivial role in an interoperability standard can leverage that right to prevent competitors or others from deploying the entire standard.

Thus, as in the MMSE example, meaningful incentives exist in the emerging technology and software sphere to “submarine” intellectual property rights and delay infringement action until network effects resulting from integrating with an interoperability standard can raise or even establish entirely the valuation of the property. To prevent this, standards development organizations generally require that companies participating in development of interoperability standards disclose and license intellectual property rights essential to the standard to others on terms that are “reasonable and non-discriminatory” (“RAND”). In an attempt to game the system, companies have occasionally affirmatively disavowed or hidden the existence of patents that go into interoperability standards in the hopes of achieving standardization’s network effects. Courts have looked unfavorably upon such action and generally precluded these “submarine” patent infringement

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developed at the International Telecommunications Union serve as prime examples of interoperable standards.

claims on theories of equitable estoppel or laches defenses.<sup>27</sup>

There is an obvious public benefit to interoperability standards and a public interest in ensuring that standardized technology is not held hostage by rightsholders' "submarine" enforcement.<sup>28</sup> See *Microsoft Corp. v. Motorola, Inc.*, C10-1823JLR, 2013 WL 2111217, ¶ 12 (W.D. Wash. Apr. 25, 2013). In *Microsoft*, Judge Robart created the first-ever framework for analyzing RAND licensing terms. Judge Robart expressly noted the potential benefits interoperability standards bring to the overall economy – namely, increased production and price competition. *Id.* Recognizing that the interoperability benefits of standards depends on broad implementation by the public, he held that licensing negotiations should take on a public character. See *id.* at ¶ 13. At its crux, the hypothetical licensing negotiation must be conducted and reviewed with the public and the benefit to the public in mind. See *id.* at ¶ 58, 64; see also *id.* at ¶ 52, 55-57.

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<sup>27</sup> See *In re Rambus, Inc.*, Docket No. 9302 (Fed. Trade Comm'n, Aug. 2, 2006), available at <http://www.ftc.gov/os/adjpro/d9302/060802commissionopinion.pdf>.

<sup>28</sup> For a discussion on "submarine" intellectual property rights in the patent context, see Mark A. Lemley, *An Empirical Study of the Twenty-Year Patent Term*, 22 AIPLA Q.J. 369, 377 (1994) ("delay on the part of the inventor is intentional . . . these inventors hope to take the industry by surprise, announcing a new patent which all the participants in a mature market must license. Delay . . . need not be intentional to cause problems.").



The notion that interoperability standards are a crucial consideration in intellectual property protection is by no means radical. In the context of Internet standards, courts and commentators have reasoned that, given the exclusion of systems from copyright protection, works may be original enough in the first instance to be protectable but may lose that protection as they become standards across time.<sup>29</sup> For example, in *Lotus v. Borland*, the court denied copyright protection to a user interface that had become the de facto standard in the industry in part because of the collective labor of its users<sup>30</sup> and interoperability

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<sup>29</sup> See Pamela Samuelson, *Questioning Copyright in Standards*, 48 B.C. L. REV. 193, 215-220 (2007) (discussing among others the case of *Mitel, Inc. v. Iqtel, Inc.*, 124 F.3d 1366 (10th Cir. 1997)).

<sup>30</sup> See Wendy J. Gordon & Robert G. Bone, *Copyright*, in 1610 ENCYCLOPEDIA OF LAW & ECONOMICS 197 (Edward Elgar 2000) (noting that, “if switching costs are high enough, giving copyright protection to a popular user interface that has become an industry standard can extend the copyright owner’s monopoly into the computer, not just the interface market); see also MERGES, MENELL & LEMLEY, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 894, 898 (2012) (“Note on Genericide, Language, and Policing Costs”); Peter S. Menell, *An Analysis of the Scope of Copyright Protection for Application Programs*, 41 STAN. L. REV. 1045, 1066-1069 (1988). *But see* William H. Page & John E. Lopatka, *Network Externalities*, in 760 ENCYCLOPEDIA OF LAW & ECONOMICS 970 (Edward Elgar 2000) (arguing that limiting copyright protection for network externalities in the case of computer software could bleed over into other areas of copyright, such as fan fiction, and that weakening copyright protection allows greater competition by clones but reduces the payoff for innovators); Kenneth W. Dam, *Some Economic Considerations in the Intellectual Property Protection of Software*,  
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standards considerations.<sup>31</sup> *Lotus Dev. Corp. v. Borland Int'l Inc.*, 49 F.3d 807, 822 (1st Cir. 1995), *aff'd*, 516 U.S. 233 (1996).

The same analytical considerations apply to the continuation of the laches defense to civil copyright claims. The laches defense focuses on what is a reasonable delay after which a rightsholder is allowed to bring suit. Framed another way, the laches defense revolves around the hypothetical negotiation between the rightsholder and an alleged infringer licensee. If the rightsholder delays unreasonably, the alleged infringer licensee may justifiably believe that there is consensus that no infringement occurred or alternatively that the rightsholder will not pursue infringement action.

When the delay is substantial and occurs without notice (or only tentative notice) to the alleged infringer licensee – as in the typical case of a “submarine” delay – prejudice abounds in several forms. An expectations-based prejudice exists because during the rightsholder’s significant delay, the alleged infringer licensee took actions or suffered investment expenditures that it would not have, had the rightsholder brought suit promptly. An evidentiary prejudice exists

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24 J. OF LEGAL STUD., 321-377 (1995) (criticizing *Lotus Dev. Corp. v. Borland Int'l Inc.*).

<sup>31</sup> “Indeed, to the extent that Lotus’ menu is an important standard in the industry, it might be argued that any use ought to be deemed privileged.” *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 49 F.3d 807, 822 (1st Cir. 1995), *aff'd*, 516 U.S. 233 (1996).

because evidence may be lost, degraded, or become stale, and witnesses' memories may fade – especially in the case of proving intent and knowledge elements of an equitable estoppel defense. Finally, and most importantly, there is prejudice to the public interest of ensuring broad and continued implementation of a standard, especially following the public's significant contribution of value to the property through network effects. Laches is, thus, a necessary and reasonable equitable limitation in the broader perspective of industry standards and standard-creating bodies.

**C. Equitable Estoppel Defenses Alone Fail to Address the Unintended Incentives Created by Network Effects Because Evidence of Intent May Be Lost Through Significant Delay and Knowledge of Infringement May Be Reasonably Uncertain**

When delayed enforcement is done with a plaintiff's full knowledge and affirmative intent, equitable estoppel may be asserted as a defense.<sup>32</sup> Evidentiary

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<sup>32</sup> The accused infringer must show that: (a) plaintiff knew of the accused infringer's allegedly infringing conduct; (b) plaintiff intended that the accused infringer rely upon his conduct or acted so that defendant had a right to believe it was so intended; (c) the accused infringer was ignorant of the true facts; and (d) the accused infringer detrimentally relied on plaintiff's conduct. See *Carson v. Dynegy, Inc.*, 344 F.3d 446, 453 (5th Cir. 2003) (citing *Nimmer* § 13.07); *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100 (9th Cir. 1960).

proof of subjective intent may, however, be exceedingly difficult to discover from the asserting rightsholder, who has had ample time through delay to prepare his case. Equitable estoppel's requirement that the defendant lack knowledge of the facts is also troublesome. A good-faith defendant who has notice of potential infringement may reasonably believe that no such infringement has occurred, particularly in light of a substantial delay in bringing action. In the case of the MMSE, this considerable delay encompassed more than twenty-five years of widespread use. An enterprising plaintiff might periodically send notices of infringement to users, with no intent to pursue any claims unless and until network events or standardization creates a "lock-in" – a cunning stratagem that could, at least in theory, defeat an equitable estoppel defense.

The advent of intellectual property monetization greatly compounds the problem of network effect creating unintended incentives to delay bringing enforcement actions. The cost of testing these rights in court, combined with the possibility of large penalties, and uncertainties in intellectual property law, allow those asserting such rights to obtain returns far above the value that the intellectual property could contribute to any tangible product.<sup>33</sup>

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<sup>33</sup> For an in-depth exploration of monetization in copyright and patent and a discussion of how rights can be used to extract economic rights above a reasonable return on investment, see Robin Feldman, *Intellectual Property Wrongs*, 18 STAN. J.L. BUS.

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In this context, arbitrageurs are searching for old rights that can be revived and asserted against successful products on the market. The problem is bad enough in patents, where rights last for two decades. In copyright, where the rights can continue for more than a hundred years, the prospect of resurrection of old rights is particularly troubling. In this environment, courts must be vigilant to prevent parties from legitimizing an unreasonable delay merely by transferring the right and turning good-faith actors into unknowing infringers. Courts should – indeed, must – have the discretion to decide that, after standing silent for an unreasonable amount of time, rightsholders cannot now decide that a work provides a convenient vehicle for monetization.

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& FIN. 250 (2013); *see also* Sara Jeruss, Robin Feldman & Joshua Walker, *The America Invents Act 500: Effects of Patent Monetization Entities on US Litigation*, 11 DUKE L. & TECH. REV. 357 (2012); Tom Ewing & Robin Feldman, *The Giants Among Us*, 2012 STAN. TECH. L. REV. 1 (2011).

## **II. LACHES IS AN INDISPENSABLE AND UNIQUE EQUITABLE LIMITATION THAT FACILITATES THE GOALS OF THE INTELLECTUAL PROPERTY SYSTEM**

### **A. Laches serves a purpose different from, and in harmony with, the Copyright Act's rolling statutory limitations period**

In 1957, Congress amended the Copyright Act to include the rolling statutory limitations period in civil matters: “[n]o civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.” 17 U.S.C. § 507(b). The three-year statute of limitations begins to run from the date of the last act of infringement. In actions where ongoing infringement is alleged, the statute of limitations is an ineffective defense because the period is continuously renewed. The equitable defense of laches is layered onto the statute of limitations and allows a defendant to bar a copyright claim that has been raised after a plaintiff’s unreasonable, effectively prejudicial, delay. Though the rolling statutory limitation period is codified and laches is not, each defense serves an indispensable and unique purpose for our intellectual property system, and both are essential to encourage innovation and creativity.

In his concurrence below, Judge Fletcher writes “[t]here is nothing in the copyright statute or its history to indicate that laches is a proper defense to a suit brought under the Act.” *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 695 F.3d 958 (9th Cir. 2012)

(Fletcher, J., concurring). He adds that S. REP. NO. 85-1014 the three-year statute of limitations was adopted to stop plaintiffs from “forum shopping.” *Id.* There is, however, language in S. REP. NO. 85-1014 acknowledging equitable considerations and defenses. “With respect to the question of specifically enumerating various equitable situations on which the statute of limitations is generally suspended, the House Judiciary Committee reached the conclusion that this was unnecessary, inasmuch as the ‘federal district courts generally recognize these defenses anyway.’” S. REP. NO. 85-1014 *reprinted in* 1957 U.S.C.C.A.N. 1961, 1962. In agreeing with the House Judiciary Committee’s conclusion that “federal district courts recognize these defenses anyway,” the Senate acknowledged that the courts have the power to apply equitable defenses in copyright claims, despite the existence of a codified three-year statute of limitations. S. REP. NO. 85-1014 *reprinted in* 1957 U.S.C.C.A.N. 1961, 1963. The Senate Report continues, “[a] specific enumeration of certain circumstances or conditions might result in unfairness to some persons.” S. REP. NO. 85-1014 *reprinted in* 1957 U.S.C.C.A.N. 1961, 1963. In effect, the Senate’s decision not to codify the equitable defenses was purposeful. Leaving the equitable defenses to the discretion of the courts allows for flexibility in application, and furthers one of the main goals of the intellectual property system, fairness in dispute resolution.

In fact, laches is a key defense that prevents the magnification of rights, as it inhibits intellectual

property rightsholders from bargaining for returns well beyond the value of the rights they hold. Circuits that have applied laches, broadly or narrowly, use it as a mechanism to bar copyright claims brought in bad faith. “Laches is an equitable defense that prevents a plaintiff, who with full knowledge of the facts, acquiesces in a transaction and sleeps upon his rights.” *Danjaq LLC v. Sony Corp.*, 263 F.3d 950-51 (9th Cir. 2001). By sleeping on his rights, a plaintiff effectively allows a defendant to continue blindly with the alleged infringement. This creates an expectations-based prejudice, which is practically shown by investment in and expansion of the business. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 695 F.3d 953. A claim is brought after unreasonable delay “when its purpose is to capitalize on the value of the alleged infringer’s labor, by determining whether the infringing conduct will be profitable.” *Danjaq LLC v. Sony Corp.*, 263 F.3d at 954. Importantly, without laches, plaintiffs would only need to allege ongoing infringement to bypass the three-year statute of limitations to bring a claim after an excessive delay. While ongoing infringement is certainly feasible, it is important to evaluate such claims on a case-by-case basis, with a critical eye towards the reasons behind the plaintiff’s delay in bringing the claim.



**B. Equitable estoppel and other equitable defenses fail on their own adequately to balance and protect the goals of the Constitution, embodied in the Copyright Clause**

Judge Learned Hand noted that “it is inequitable for the owner of a copyright, with full notice of an intended infringement, to stand inactive . . . and to intervene only when his speculation has proved a success.” *Haas v. Leo Feist*, 234 F. 105, 108 (S.D.N.Y. 1916). In his concurrence below, Judge Fletcher argues that, in *Haas*, Judge Hand was invoking the concept of equitable estoppel, not laches. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 695 F.3d 958-59 (9th Cir. 2012) (Fletcher, J., concurring). *Haas* is not explicit in that regard and, in fact, Judge Hand’s focus on the inequity of the plaintiff’s acquiescence in the defendant’s conduct until the claim was ripe for capitalization demonstrates that laches is appropriate in contexts involving unreasonable delay.



**CONCLUSION**

With the advent of intellectual property monetization, and as highlighted by two discrete but by no means singular examples, standardized medical tests and assessment tools and “interoperability” standards in emerging technology, the opportunity to increase the value of an intellectual property right through so-called “network effects” can encourage the delay of enforcement of copyright and other intellectual

property rights. This delay interferes with the core purpose of the Copyright Clause, as innovators are forced to spend their time handling patent demands instead of inventing. Because other equitable defenses do not sufficiently protect against such obviously prejudicial schemes, a laches defense to civil copyright claims is proper to bar unreasonably delayed claims, including those brought within statutes of limitation. Laches provides a uniquely flexible and effective guard against inappropriate uses of monetized intellectual property rights, and its preservation is essential to the proper functioning of the intellectual property system in the United States.

Respectfully submitted,

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