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UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

DROPBOX, INC., Plaintiff-Appellee, v. THRU INC., Defendant-Appellant.	Nos. 17-15078, 17-15526 D.C. No. 3:15-cv-01741-EMC MEMORANDUM*

Appeal from the United States District Court
for the Northern District of California
Edward M. Chen, District Judge, Presiding

Submitted April 11, 2018**
San Francisco, California

Before: McKEOWN and WARDLAW, Circuit Judges, and KATZMANN,*** International Trade Judge.

Thru Inc. ("Thru") appeals the district court's orders granting Dropbox,

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* This disposition is not appropriate for publication and is not precedent except as provided by Ninth Circuit Rule 36-3.

** The panel unanimously concludes this case is suitable for decision without oral argument. *See* Fed. R. App. P. 34(a)(2).

*** The Honorable Gary S. Katzmann, Judge for the United States Court of International Trade, sitting by designation.

Inc.'s (DBX) motion for summary judgment and granting DBX's motion for attorneys' fees and costs. The district court concluded that Thru's counterclaims of trademark infringement were barred by laches, and, alternatively, held that DBX's rights to the "Dropbox" trademark were senior to Thru's. The district court also awarded DBX more than $1.7 million in attorneys' fees and $500,000 in costs, determining that Thru's litigation conduct transformed this case into an "exceptional case" that merited such an award. 15 U.S.C. § 1117(a). We have jurisdiction under 28 U.S.C. § 1291, and we affirm.

1. The district court did not abuse its discretion in concluding that laches barred Thru's counterclaims.[1] There was no genuine dispute of fact that Thru had actual and constructive knowledge of DBX's potentially infringing activity as early as June 2009. Nevertheless, Thru did not commence any action against DBX until August 2015,[2] well beyond the four-year statutory limitations period applicable to California trademark infringement disputes. *See Internet Specialties W., Inc. v. Milon-DiGiorgio Enters., Inc.*, 559 F.3d 985, 990 n.2 (9th Cir. 2009).

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[1] We employ a "hybrid standard of review to grants of summary judgment on the basis of laches," reviewing some issues de novo, but reviewing "the application of the laches doctrine to the facts" for abuse of discretion. *Eat Right Foods Ltd. v. Whole Foods Market, Inc.*, 880 F.3d 1109, 1115 (9th Cir. 2018).

[2] Thru's belated petition for cancellation of DBX's registered trademark in February 2014 has no tolling effect here, for it was filed outside of the four-year laches period beginning in June 2009.

Thru argues that its tardiness is excused, but the district court correctly concluded that Thru's excuses were unreasonable. Thru claims that it was actively negotiating with DBX about the trademark rights, but Thru's communications with DBX do not rise to the level of active negotiation that we have required to excuse such delay. *Cf. Eat Right Foods*, 880 F.3d at 1117–19. Thru contacted DBX sporadically during the six-year period and did not make any proposals to DBX that would escalate the communications to active settlement negotiations. Moreover, whereas other companies timely opposed DBX's trademark application before the U.S. Patent and Trademark Office, Thru chose to sit on the sidelines and do nothing. Such delay capitalizes on the value of not only DBX's efforts to defend its mark but also other companies' efforts to challenge the mark, and it is exactly the kind of delay that we have deemed impermissible. *See Evergreen Safety Council v. RSA Network Inc.*, 697 F.3d 1221, 1227 (9th Cir. 2012). Nor does Thru prevail on its argument that DBX's successful development over the years amounted to "progressive encroachment." The undisputed evidence showed that DBX served enterprise customers since its inception, and the growth of DBX's business alone does not amount to progressive encroachment. *See Tillamook Country Smoker, Inc. v. Tillamook Cty. Creamery Ass'n*, 465 F.3d 1102, 1110 (9th Cir. 2006).

In addition to the unreasonableness of the delay, the undisputed evidence

showed that Thru prejudiced DBX's interests through the delay. DBX showed that "it has continued to build a valuable business around its trademark" during the six-year delay. *Grupo Gigante SA De CV v. Dallo & Co.*, 391 F.3d 1088, 1105 (9th Cir. 2004). It spent millions of dollars developing its services and established itself as a leader in the file-sharing industry. Such significant investment is sufficient to show prejudice. *See Miller v. Glenn Miller Prod., Inc.*, 454 F.3d 975, 1000 (9th Cir. 2006).

Because the undisputed evidence showed that Thru's unreasonable delay harmed DBX, the district court did not abuse its discretion in finding that laches barred Thru's counterclaims of trademark infringement. *See Eat Right Foods*, 880 F.3d at 1115.

2. The district court also correctly concluded, in the alternative, that DBX's rights to the trademark are senior to Thru's. DBX acquired trademark rights from non-party Officeware. Officeware first used the term "Dropbox" in January 2004, prior to Thru's alleged first use in March 2004. Officeware properly assigned its trademark rights and associated goodwill in the mark to DBX in April 2013, after years of litigation between the two companies. *See E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1289 (9th Cir. 1992). Therefore, DBX stepped into Officeware's shoes and has priority in the mark. *See Tillamook Cty. Creamery Ass'n v. Tillamook Cheese & Dairy Ass'n*, 345 F.2d 158, 161–62 (9th

Cir. 1965).

3. Lastly, the district court did not abuse its discretion in awarding DBX attorneys' fees and costs. The Lanham Act provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117(a); *see also Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) (construing the "exceptional cases" standard for the analogous attorneys' fees provision in the Patent Act). Here, Thru filed a frivolous motion to dismiss and gave inaccurate responses to discovery requests. Thru's counterclaims are also wholly lacking in merit, given the undisputed evidence that Thru tried to strategically "slow walk[]" its dispute with DBX to take advantage of DBX's initial public offering. On the basis of this conduct, the district court did not abuse its discretion in finding this case an "exceptional case" and awarding attorneys' fees and costs. *See Octane*, 134 S. Ct. at 1756 n.6.

AFFIRMED.

United States Court of Appeals for the Ninth Circuit

Office of the Clerk
95 Seventh Street
San Francisco, CA 94103

Information Regarding Judgment and Post-Judgment Proceedings

Judgment

- This Court has filed and entered the attached judgment in your case. Fed. R. App. P. 36. Please note the filed date on the attached decision because all of the dates described below run from that date, not from the date you receive this notice.

Mandate (Fed. R. App. P. 41; 9th Cir. R. 41-1 & -2)

- The mandate will issue 7 days after the expiration of the time for filing a petition for rehearing or 7 days from the denial of a petition for rehearing, unless the Court directs otherwise. To file a motion to stay the mandate, file it electronically via the appellate ECF system or, if you are a pro se litigant or an attorney with an exemption from using appellate ECF, file one original motion on paper.

Petition for Panel Rehearing (Fed. R. App. P. 40; 9th Cir. R. 40-1)
Petition for Rehearing En Banc (Fed. R. App. P. 35; 9th Cir. R. 35-1 to -3)

(1) A. Purpose (Panel Rehearing):

- A party should seek panel rehearing only if one or more of the following grounds exist:
  - ► A material point of fact or law was overlooked in the decision;
  - ► A change in the law occurred after the case was submitted which appears to have been overlooked by the panel; or
  - ► An apparent conflict with another decision of the Court was not addressed in the opinion.
- Do not file a petition for panel rehearing merely to reargue the case.

B. Purpose (Rehearing En Banc)

- A party should seek en banc rehearing only if one or more of the following grounds exist:

- ► Consideration by the full Court is necessary to secure or maintain uniformity of the Court's decisions; or
- ► The proceeding involves a question of exceptional importance; or
- ► The opinion directly conflicts with an existing opinion by another court of appeals or the Supreme Court and substantially affects a rule of national application in which there is an overriding need for national uniformity.

(2) Deadlines for Filing:

- A petition for rehearing may be filed within 14 days after entry of judgment. Fed. R. App. P. 40(a)(1).
- If the United States or an agency or officer thereof is a party in a civil case, the time for filing a petition for rehearing is 45 days after entry of judgment. Fed. R. App. P. 40(a)(1).
- If the mandate has issued, the petition for rehearing should be accompanied by a motion to recall the mandate.
- *See* Advisory Note to 9th Cir. R. 40-1 (petitions must be received on the due date).
- An order to publish a previously unpublished memorandum disposition extends the time to file a petition for rehearing to 14 days after the date of the order of publication or, in all civil cases in which the United States or an agency or officer thereof is a party, 45 days after the date of the order of publication. 9th Cir. R. 40-2.

(3) Statement of Counsel

- A petition should contain an introduction stating that, in counsel's judgment, one or more of the situations described in the "purpose" section above exist. The points to be raised must be stated clearly.

(4) Form & Number of Copies (9th Cir. R. 40-1; Fed. R. App. P. 32(c)(2))

- The petition shall not exceed 15 pages unless it complies with the alternative length limitations of 4,200 words or 390 lines of text.
- The petition must be accompanied by a copy of the panel's decision being challenged.
- An answer, when ordered by the Court, shall comply with the same length limitations as the petition.
- If a pro se litigant elects to file a form brief pursuant to Circuit Rule 28-1, a petition for panel rehearing or for rehearing en banc need not comply with Fed. R. App. P. 32.

- The petition or answer must be accompanied by a Certificate of Compliance found at Form 11, available on our website at www.ca9.uscourts.gov under *Forms.*
- You may file a petition electronically via the appellate ECF system. No paper copies are required unless the Court orders otherwise. If you are a pro se litigant or an attorney exempted from using the appellate ECF system, file one original petition on paper. No additional paper copies are required unless the Court orders otherwise.

Bill of Costs (Fed. R. App. P. 39, 9th Cir. R. 39-1)

- The Bill of Costs must be filed within 14 days after entry of judgment.
- See Form 10 for additional information, available on our website at www.ca9.uscourts.gov under *Forms.*

Attorneys Fees

- Ninth Circuit Rule 39-1 describes the content and due dates for attorneys fees applications.
- All relevant forms are available on our website at www.ca9.uscourts.gov under *Forms* or by telephoning (415) 355-7806.

Petition for a Writ of Certiorari

- Please refer to the Rules of the United States Supreme Court at www.supremecourt.gov

Counsel Listing in Published Opinions

- Please check counsel listing on the attached decision.
- If there are any errors in a published opinion, please send a letter **in writing within 10 days** to:
  - ► Thomson Reuters; 610 Opperman Drive; PO Box 64526; Eagan, MN 55123 (Attn: Jean Green, Senior Publications Coordinator);
  - ► and electronically file a copy of the letter via the appellate ECF system by using "File Correspondence to Court," or if you are an attorney exempted from using the appellate ECF system, mail the Court one copy of the letter.

Form 10. Bill of Costs .....***(Rev. 12-1-09)***

United States Court of Appeals for the Ninth Circuit

BILL OF COSTS

This form is available as a fillable version at:
http://cdn.ca9.uscourts.gov/datastore/uploads/forms/Form%2010%20-%20Bill%20of%20Costs.pdf.

Note: If you wish to file a bill of costs, it MUST be submitted on this form and filed, with the clerk, with proof of service, within 14 days of the date of entry of judgment, and in accordance with 9th Circuit Rule 39-1. A late bill of costs must be accompanied by a motion showing good cause. Please refer to FRAP 39, 28 U.S.C. § 1920, and 9th Circuit Rule 39-1 when preparing your bill of costs.

_____ v. _____ 9th Cir. No. _____

The Clerk is requested to tax the following costs against: _____

Cost Taxable under FRAP 39, 28 U.S.C. § 1920, 9th Cir. R. 39-1	**REQUESTED** *(Each Column Must Be Completed)*				**ALLOWED** *(To Be Completed by the Clerk)*			
	No. of Docs.	Pages per Doc.	Cost per Page*	TOTAL COST	No. of Docs.	Pages per Doc.	Cost per Page*	TOTAL COST
Excerpt of Record			$	$			$	$
Opening Brief			$	$			$	$
Answering Brief			$	$			$	$
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Other**			$	$			$	$
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* *Costs per page*: May not exceed .10 or actual cost, whichever is less. 9th Circuit Rule 39-1.

** *Other*: Any other requests must be accompanied by a statement explaining why the item(s) should be taxed pursuant to 9th Circuit Rule 39-1. Additional items without such supporting statements will not be considered.

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Form 10. Bill of Costs - *Continued*

I, _____ , swear under penalty of perjury that the services for which costs are taxed were actually and necessarily performed, and that the requested costs were actually expended as listed.

Signature _____

("s/" plus attorney's name if submitted electronically)

Date _____

Name of Counsel: _____

Attorney for: _____

(To Be Completed by the Clerk)

Date _____ Costs are taxed in the amount of $ _____

Clerk of Court

By: _____ , Deputy Clerk