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Supreme Court to Resolve Circuit Split as to Availability of Laches Defense to Copyright Infringement Claim

By Jonathan Bloom and Ariane Newell

On October 1, 2013, the US Supreme Court granted certiorari in *Petrella v. Metro-Goldwyn-Mayer (MGM)*,[1] which presents the question of whether a laches defense is available to bar all remedies for civil copyright infringement claims brought within the statutory three-year limitations period in section 507(b) of the Copyright Act, 17 U.S.C. §507(b). The three-year limitations period commences separately for each act of infringement, even if the alleged infringement is one of a continuing series of infringing acts. Thus, in a case involving a series of infringements, the plaintiff may recover only for acts occurring within the prior three years. Some courts have applied laches to bar claims for infringing acts committed *within* the limitations period that are part of a continuing infringement that began *before* the limitations period, but the circuits are divided over whether laches can bar remedies for claims that are not barred by the statute of limitations. The circuit split can be summarized as follows:

- **Second Circuit:** Laches is available as a bar to injunctive relief and *retrospective* money damages but not *prospective* money damages (i.e., the plaintiff cannot obtain an injunction, and money damages are recoverable only for acts of infringement occurring within the limitations period).[2]
- **Fourth Circuit:** Laches is unavailable as a defense to any claim brought within the limitations period.[3]
- **Sixth Circuit:** Laches is available only in "the most compelling of cases."[4]
- **Ninth Circuit:** Laches may bar both *retrospective* and *prospective* relief for acts occurring wholly within the three-year limitations period if there was an earlier act of infringement outside the limitations period.
- **Tenth Circuit:** Laches is restricted to exceptional cases.[5]
- **Eleventh Circuit:** Applies a strong presumption that the suit is timely if it is filed within the three-year limitations period. The court recognizes laches as a bar to *damages* in exceptional cases but never as a bar to *prospective* relief.[6]

Given this confusing multitude of approaches, the issue clearly was ripe for Supreme Court review.

Factual Background

Frank Petrella wrote three works based on the life of his longtime friend boxing champion Jake LaMotta: a 1963 screenplay, a 1970 book, and a 1973 screenplay (collectively, the Works). In a written agreement dated November 19, 1976, Petrella and LaMotta assigned all of their copyrights in the Works to Chartoff-Winkler Productions. Two years later, United Artists, a wholly owned subsidiary of Metro-Goldwyn-Mayer, Inc. (MGM), acquired the rights to the Works from Chartoff-Winkler. In 1980, United Artists released *Raging Bull* (the Movie), a critically acclaimed movie about LaMotta's life directed by Martin Scorsese and starring Robert De Niro as LaMotta. Petrella was credited as a producer.

Frank Petrella died in 1981 – during the original 28-year term of his copyrights in the Works. In 1990, his daughter Paula Petrella learned of the Supreme Court's *Stewart v. Abend* decision, which held that when an author dies before a renewal period begins, his or her statutory successors are entitled to the renewal rights, even when the author has previously assigned those rights to another party.[7] She retained an attorney who, in 1991, timely renewed the copyright in the 1963 screenplay. Seven years later, the attorney contacted MGM and asserted that his client owned the exclusive rights to the 1963 screenplay and that the exploitation of any derivative work, including the Movie, infringed those exclusive rights. Over the course of the next two years, Petrella and MGM exchanged numerous letters concerning the legality of MGM's continued exploitation of the Movie. Although Petrella threatened repeatedly to take legal action, she did not sue until 2009, 18 years after she renewed the copyright registration on the 1963 screenplay and nine years after her attorney had last contacted MGM. Meanwhile, MGM continued to market and distribute the Movie, including releasing various special editions, such as a 25th Anniversary Edition in 2005 and a special-edition Blu-ray in 2009.

Procedural Background

In January 2009, Petrella sued MGM and related entities in the Central District of California for copyright infringement, unjust enrichment, and an accounting. The district court, applying binding circuit precedent,[8] granted summary judgment for MGM on the ground that Petrella's claims were barred by laches. The court found that Petrella had delayed unreasonably in initiating the lawsuit, having waited until 18 years after registering the renewal rights in the 1963 screenplay. The court also noted that MGM was prejudiced by the delay in terms of both its commercial expectations and its access to evidence. The court did not reach the merits of the claims. Petrella appealed.

In a ruling handed down on August 29, 2012, the Ninth Circuit, in an opinion by Judge Raymond C. Fisher, applied a presumption of laches and affirmed, agreeing that Petrella had waited too long to sue.[9] In a concurring opinion, Judge William Fletcher urged the court to reevaluate its approach to laches in copyright cases, noting that: (1) Ninth Circuit precedent fails to distinguish between equitable estoppel and laches in copyright infringement cases involving continuing infringement;[10] (2) the statutory three-year limitations period for copyright claims puts the judicially created equitable defense of laches in tension with Congressional intent;[11] and (3) there is "a severe circuit split on the availability of a laches defense in copyright cases."[12]

Supreme Court Petition

On April 30, 2013, Petrella filed a petition for certiorari with the Supreme Court in which she noted that the circuits are divided as to whether laches, an equitable defense, can bar remedies for civil copyright claims timely brought within the Copyright Act's three-year statute of limitations. Petrella urged the Court to resolve the circuit split by holding that in such cases a laches defense is barred.

The petition noted that "[i]n other contexts, [the Supreme Court] has repeatedly stated that laches cannot displace an explicit federal statute of limitations"[13] and argued that "[t]he circuit split threatens to breed forum shopping by making particular remedies available in some circuits but not in others," which would have the effect of "subvert[ing] Congress's expressed goal of promoting nationwide uniformity in copyright law."[14] The petition further

argued that because application of laches in copyright cases is in tension with Congressional intent, laches "should not be available to constrict the Copyright Act's express statutory limitations period."[15] To this end, the petition contended that courts "may not override Congress's careful efforts to balance the interests of authors and the public embodied in the statutory limitations period" by applying laches, which "requires case-specific balancing of the reasons for a delay and the prejudice caused by it" and which is "at odds with the statute of limitations' predictable bright-line rule."[16]

In its opposition, MGM disputed the existence of a circuit split, contending that the cases cited in the petition simply reflected courts reaching differing results based on varying circumstances.[17] MGM further argued that the Ninth Circuit's ruling was correct, as laches should bar a copyright claim where unreasonable delay causes prejudice like that MGM purportedly suffered as a result of Petrella's unreasonable 18-year delay in filing suit. MGM also asserted that there is no authority for the proposition that "the mere existence of a federal statute of limitations deprives federal courts of their centuries-old equitable power, and obligation, to determine whether laches bars a stale claim."[18] Indeed, at least one circuit, albeit outside of the copyright context, has opined that courts have an obligation to apply laches where appropriate regardless of the existence of a statute of limitations.[19]

On October 1, 2013, the Court granted certiorari on the following question: "Whether the nonstatutory defense of laches is available without restriction to bar all remedies for civil copyright claims filed within the three-year statute of limitations prescribed by Congress, 17 U.S.C. § 507(b)."

Future Availability of Laches in Copyright Cases?

A decision from the Supreme Court on whether the judicially created laches defense can override the statute of limitations set forth in section 507(b) not only will clarify the availability of laches in copyright infringement cases but also could have a far-reaching effect on claims involving any federal statute with an express limitations period.[20] Laches has been raised as a defense in cases involving other federal statutes. For example, the Eighth Circuit (which has not addressed whether laches is available as a defense to copyright claims) has held that laches should not bar an employment discrimination claim filed within the limitations period set forth in Title VII of the Civil Rights Act of 1964,[21] and the Ninth Circuit has held that laches was not available as a defense to claims arising under the Age Discrimination in Employment Act (ADEA) on the ground that Congress explicitly provided a statute of limitations governing all ADEA actions.[22] A ruling in *Petrella* will bear on whether laches may be relied upon in these and other areas of the law to effectively shorten statutes of limitations without violating the separation of powers doctrine.

Given the limited, threshold issue on which the Court granted review in *Petrella*, the Court almost surely will not revisit *Stewart v. Abend*, which left unresolved certain questions concerning the distribution of a derivative work during the copyright renewal period of the underlying work, including whether a derivative work created by more than one author prior to 1978[23] can continue to be exploited by an assignee if only one of the authors dies before the renewal term. In the district court, MGM argued that because the 1963 screenplay was a collaboration between Petrella and LaMotta, it retained all necessary rights in the script pursuant to its agreement with LaMotta; but this issue is not currently before the Court.

The Court is expected to hear argument sometime early next year, with a decision expected before the 2013-2014 term ends in June.

1. 695 F.3d 946 (9th Cir. 2012).
2. *See New Era Publ'ns Int'l v. Henry Holt & Co.*, 873 F.2d 576, 584-85 (2d Cir. 1989).
3. *Lyons P'ship. L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 797-98 (4th Cir. 2001).
4. *Chirco v. Crosswinds Cmtys., Inc.*, 474 F.3d 227, 233 (6th Cir. 2007).
5. *Jacobsen v. Deseret Book Co.*, 287 F.3d 936, 951 (10th Cir. 2002).
6. *Peter Letterese & Assocs., Inc. v. World Inst. of Scientology Enters., Int'l*, 533 F.3d 1287, 1320 (11th Cir. 2008).

7. 495 U.S. 207, 219 (1990).
8. *Danjaq LLC v. Sony Corp.*, 263 F.3d 942 (9th Cir. 2001) (finding that laches can bar copyright infringement claims brought within the statute of limitations).
9. According to the Ninth Circuit, even if the challenged acts of infringement occurred entirely within the statutory limitations period, the court would "presume that the plaintiff 's claims are barred by laches" so long as an earlier infringement in the series of infringements "occurred outside of the limitations period." 695 F.3d at 951.
10. Judge Fletcher noted that "[m]odern courts seeking to justify the application of laches in copyright cases typically quote from Judge Learned Hand's opinion in *Haas v. Leo Feist Inc.*, 234 F. 105, 108 (S.D.N.Y. 1916)", which is "a classic invocation of equitable estoppel, which is distinct from its equitable cousin, laches." 695 F.3d at 958. A defendant asserting equitable estoppel must show that the plaintiff acted in a manner that it knew, and intended, to be relied on by the defendant, and which is in fact relied on by the defendant to its detriment. Laches, on the other hand, does not require a showing of actual harm (expectation-based prejudice will suffice) or a showing that plaintiff had actual knowledge of the infringement (only that the plaintiff should have known of the infringement).
11. *Id.*
12. *Id.*
13. Petition for a Writ of Certiorari at 14.
14. *Id.*
15. *Id.*
16. *Id.*
17. Opposition at 18-20.
18. *Id.* at 11.
19. *Teamsters & Employers Welfare Trust of Ill. v. Gorman Bros. Ready Mix*, 283 F.3d 877, 881-882 (7th Cir. 2002) (noting that "[w]hat is sauce for the goose (the plaintiff seeking to extend the statute of limitations) is sauce for the gander (the defendant seeking to contract it)" and reasoning that courts have the ability to toll and shorten the statute of limitations as appropriate).
20. There is no federal statute of limitations for civil trademark infringement claims.
21. *Ashley v. Boyle's Famous Corned Beef Co.*, 66 F.3d 164 (8th Cir. 1995) (en banc), *abrogated on other grounds by Madison v. IBP, Inc.*, 330 F.3d 1051, 1056–57 (8th Cir. 2003).
22. *Miller v. Maxwell's Int'l, Inc.*, 991 F.2d 583, 586 (9th Cir. 1993), *cert. denied*, 510 U.S. 1109 (1994).
23. The Copyright Act of 1976, effective January 1, 1978, replaced the system of renewal terms with a single copyright term consisting of the life of the author plus 50 years. Thus, post-1978 works do not raise *Stewart v. Abend* problems.

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