

Each Discrete Act of Copying Gets the Full Three Year Statute of Limitation: The Impact of the Supreme Court's Decision in *Petrella v. MGM*

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In *Petrella v. MGM, Inc.*, 572 U.S. ___ (2014), a 6-3 majority of the Supreme Court clarified that each discrete act of copying receives the benefit of the full three year statute of limitations. In doing so the Court distinguished laches, which it characterized as a gap filling measure borne in the courts of equity, from estoppel. It also gave deference to Congress's law making authority to promulgate legal damages for copyright infringement. Consequently, it held that the equitable defense of laches cannot act as a complete bar against a plaintiff that seeks copyright damages against a party that commits discrete acts of infringement within the three year statute of limitations prescribed by 17 U.S.C. § 507(b), even where the defendant committed similar acts of infringement outside the limitation period. And while the defense of laches may be available in certain extraordinary cases, *Petrella* was not such a case.

I. Background

The daughter of the original copyright owner, Frank Petrella, asserted that MGM's continued promotion of *Raging Bull*, a movie starring Robert De Niro, infringed the copyright of the screenplay that she owned.

Frank Petrella and boxing champion Jake LaMotta co-developed the story of LaMotta's career. Slip. op. at 7. As a result of the collaboration, Petrella received a copyright registration for a screenplay of the story in 1963. *Id.*^[1] Both Petrella and LaMotta assigned their rights, including renewal rights,^[2] to a production company in 1976. *Id.* A subsidiary of Respondent MGM acquired the exclusive movie rights to the screenplay in 1978. *Id.* In 1980, MGM released the film and obtained a copyright registration for *Raging Bull*. *Id.*

Because Mr. Petrella died during the initial period of copyright protection, his extension rights reverted to his heirs, unburdened by any previous assignment pursuant to statute. *Id.* As one of his heirs, Ms. Petrella received the right to renew the copyright, and subsequently executed the renewal of the copyright registration in 1991. In doing so, Ms. Petrella secured sole ownership of the copyright for the 1963 screenplay. *Id.* at 8.

A significant amount of time elapsed between the time that Ms. Petrella discovered the first infringing activity and the time she initiated an infringement suit. *Id.* Ms. Petrella did not file suit against MGM for the alleged infringing activities until January 2009—18 years after renewing the copyright registration and 11 years after she initially contacted MGM regarding infringement. *Id.* In her suit, Ms. Petrella sought monetary and injunctive relief, but only for infringement occurring within the preceding three years, as required by § 507(b). *Id.* at 9.

Both lower courts held laches barred Ms. Petrella's claims. The district court found that Ms. Petrella had unreasonably delayed in bringing suit, and it further noted that MGM had suffered both expectations-based and evidentiary prejudice as a result. *Id.* The Ninth Circuit agreed with the lower court and affirmed the dismissal based on laches. *Id.* Citing Ninth Circuit precedent, the court concluded that if any of the infringing conduct occurred outside the limitations period, the entire claim is barred. *Id.* at 9-10.

II. Key Holdings From the Supreme Court's Decision

In holding that laches cannot bar a claim for copyright infringement that occurred within the three year period, the Supreme Court clarifies the law regarding timely bringing suit in several ways.

First, each discrete act of copyright infringement begins a new statute of limitations period. The Court noted that copyright claims are subject to the "separate-accrual rule" whereby each act of infringement starts a new three year period. Thus, when a defendant is alleged to have engaged in multiple discrete acts of infringement, a copyright owner's suit is timely under § 507(b) with respect to acts occurring within the preceding three year period. *Id.* at 6. The copyright owner is therefore entitled to retrospective relief running back three years from the date the complaint is filed. *Id.*

The Court also took issue with applying laches as a defense to legal remedies (i.e., damages). The Court reasoned that the passage of time will not necessarily cause undue harm to defendants because damages may be adjusted. Defendants have the opportunity to offset costs and profit attributable to factors other than the copyrighted work, thus retaining any return on investment attributable to their own enterprise. *Id.* at 11-12. Indeed, the Court noted that the district court should consider MGM's early knowledge of the claims, the availability to MGM of declaratory relief, protection provided by the separate-accrual rule, the court's authority pursuant to § 502(a) to award "reasonable" injunctive relief, and any "other considerations that would justify adjusting injunctive relief or profits." *Id.* at 22.

Also, the Court noted that laches developed as an equitable defense. As such, the defense was intended to apply to equitable causes of action that do not have statutes of limitations (e.g., claims under the Lanham Act). The Court further drew upon its own precedent that cautioned against the application of laches to bar legal relief. *Id.* at 12.

Additionally, the Court protected the right of copyright holders to choose the time for bringing suit. For example, the fact that Ms. Petrella admitted that she waited until *Raging Bull* began to be profitable did not weigh in favor of the defendant. *Id.* at 16. The Court responded that it was not "incumbent upon copyright owners . . . to challenge each and every actionable infringement." *Id.* The Court stated that there is nothing inherently wrong with waiting to see what effect the infringement has upon the copyrighted work. *Id.* at 17. If copyright owners were required to sue rapidly or risk having their claims wholly barred, owners would be forced to quickly mount full-scale infringement suits on relatively innocuous, de minimis infringement for fear that the infringement may grow in magnitude over time. *Id.*

Further, the Court showed deference to Congress's law making authority. In response to MGM's evidentiary prejudice argument, the Court pointed to Congress's purposeful provision of reversionary rights for authors' heirs. Because these rights are exercised upon death of the author, Congress must have been aware of the potential loss of evidence with the passage of time. *Id.* at 17-18. Congress nonetheless provided the opportunity for authors'

heirs to receive remuneration for infringement. *Id.* at 18.

Finally, the Court distinguished laches from estoppel, noting that estoppel is still an available defense for barring the entire claim. Thus, when a copyright owner makes intentional representations regarding his abstention from suit, and the defendant detrimentally relies on those representations, estoppel may apply. *Id.* at 19. Accordingly, estoppel does not undermine the Congressional mandate of the limitations period because it rests upon misleading conduct rather than temporal considerations. *Id.*

The Court nevertheless held that, in extraordinary circumstances, a delay may be of sufficient magnitude that relief must be equitably limited. *Id.* at 20 (citing *Chirco v. Crosswinds Communities, Inc.*, 474 F. 3d 227 (6th Cir. 2007)). There, the plaintiff knew the defendants were building a housing project using infringing architectural plans but waited to sue until many units had been built and occupied. *Id.* The Sixth Circuit held that though it was bound by the three year statute of limitations and so could not reject the entire suit, that the plaintiff was not entitled to an order for the destruction of the housing project. Such relief would be inequitable because the plaintiff knew of the defendants' plans before ground was broken on the project and destruction would be an unjust hardship on both the defendants and third parties. *Id.*

Petrella clarifies the rights of copyright holder's vis-à-vis multiple acts of infringement – the plaintiff continues to receive the full three years to pursue each act of infringement. Further, the reasoning of the case may apply to other situations where defendants attempt to apply laches to codified legal remedies. And that reasoning is simple: barring extraordinary circumstances, laches will not be a defense to legal remedies—provided the harm occurred within the statute of limitations.

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The views expressed are solely those of the author and not necessarily those of Merchant & Gould.

[1] He also secured registrations for a second screenplay and a book resulting from the collaboration which were not a part of the case.

[2] Works published before 1978, such as the one at issue, are protected for an initial period of 28 years and are then eligible for a renewal period of up to 67 years pursuant to 17 U.S.C. § 304(a).