

The Interplay among Laches, the Statute of Limitations, and the Copyright Act

By

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Laches is a judicially-created equitable defense (grounded upon a plaintiff's unreasonable, prejudicial delay in bringing a claim) for which the legislature has provided no fixed time limitation by which a plaintiff must commence a lawsuit. A statute of limitations is a time fixed by the legislature for filing suit, after which the claim is barred. Can these two defenses, laches and the statute of limitations, co-exist for claims brought under the Copyright Act? In *Petrella v. Metro-Goldwyn-Mayer, Inc.* (Appeal No. 12-1315, May 19, 2014), the Supreme Court held that the Copyright Act's three-year statute of limitations, 17 U.S.C. § 507(b), controls regarding the timeliness of a claim for copyright damages. Laches still has a roll to play when the plaintiff seeks equitable remedies such as an injunction or a disgorgement of the defendant's profits.

The *Petrella* case concerned the film *Raging Bull*, produced by the defendant MGM, about the life of boxing champion Jake LaMotta. After retiring from boxing, LaMotta worked with his longtime friend, Frank Petrella, to tell the story of LaMotta's career. Their efforts produced two screenplays (registered with the Copyright Office in 1963 and 1973) and a book (registered in 1970). Since all three works were published before 1978, the duration of their copyright terms was based upon 1909 Copyright Act. The works thus each had an initial copyright term of 28 years, with an optional renewal term of 67 years. Since only the copyright in the 1963 screenplay was renewed, it was the only work involved in the lawsuit.

MGM acquired the motion picture rights to all three of the LaMotta/Petrella works through a series of assignments in the late 1970s. The film *Raging Bull* was released in 1980. Frank Petrella died in 1981, during the initial copyright terms of the three works. Upon his death, Petrella's copyright renewal rights reverted his heirs (unencumbered by the earlier LaMotta/Petrella assignment), which ultimately were consolidated with Petrella's daughter Paula. In 1991, Paula Petrella renewed the copyright in the 1963 screenplay. In 1998, Ms. Petrella (through counsel) began a dialogue with MGM. Their exchanges of correspondence did not resolve her assertions of infringement, leading Ms. Petrella to bring suit in 2009.

The Copyright Act, 17 U.S.C. § 507(b), provides that “[n]o civil action shall be maintained under the [Act] unless it is commenced within three years after the claim accrued.” As explained by Justice Ginsberg writing for a majority of the Court, a copyright claim “accrues” when an infringing act occurs on which the plaintiff can file suit and obtain relief. Although not yet expressly decided by the Supreme Court, a majority of Courts of Appeals have adopted the “discovery rule,” which starts the limitations period when “the plaintiff discovers, or with due diligence should have discovered, the injury that forms the basis for the claim.” The Court also noted the widely-recognized “separate-accrual rule,” which provides that each time an infringing work is reproduced or distributed, the infringer commits a new wrong giving rise to a discrete

“claim “ which accrues at the time the wrong is committed. In other words, each infringing act starts a new limitations period.

On the other hand, each act of infringement is actionable within three years, and only three years, from its occurrence, and the infringer is insulated from liability for earlier infringements of the same work.

Petrella’s 2009 copyright infringement suit sought injunctive relief and damages. She confined her damages claim to the period of 2006 to 2009, as limited by the Copyright Act’s three-year statute of limitations. On summary judgment, the District Court dismissed Petrella’s complaint on grounds of laches. That is, the trial court determined that Petrella unreasonably delayed from 1991 (when she renewed the copyright in the 1963 screenplay) until 2009 to bring her claims, and MGM was prejudiced by the delay. The Ninth Circuit Court of Appeals affirmed the District Court’s dismissal.

The Supreme Court held that laches “cannot be invoked to preclude adjudication of a claim for damages brought with the three-year [statute of limitations] window.” In “extraordinary circumstances,” however, a plaintiff’s delay can affect the right to equitable relief, such as an injunction or a disgorgement of the defendant’s profits. The Court thus remanded the case for further proceedings. In *dicta*, the Court noted some of the factors that could affect Petrella’s right to equitable relief, such as the length of her delay in bringing suit, MGM’s alleged reliance on that delay, MGM’s early knowledge of Petrella’s claims, and the possibility that MGM could have filed a declaratory judgment action to adjudicate its rights and liabilities.

The Court also took the occasion to distinguish between laches and the doctrine of estoppel, which may bar a copyright owner’s claims completely. Estoppel involves intentionally misleading representations concerning a putative plaintiff’s abstention from suit, and consequent loss by the defendant when the plaintiff ultimately brings suit. While delay “may be involved,” it is not an element of the defense. Laches, on the other hand, involves a period of unreasonable delay, reliance by the defendant on the delay, and prejudice to the defendant when the plaintiff ultimately files the claim. Estoppel does not undermine the limitations period set by Congress, whereas laches (as applied by the lower courts in this case) does.

Other than for its general pronouncements on the elements of laches, estoppel, and concept of “accrual” of an infringement claim, the Court’s *Petrella* opinion likely will have little effect on the body of trademark law regarding the timeliness of suit and the right to relief. In contrast to the Copyright Act, the Trademark Act contains no statute of limitations and expressly provides for the defense of laches. Trademark Act Section 33(b)(9), 15 U.S.C. § 1114(b)(9).

On the other hand, the Patent Act, 35 U.S.C. § 286, provides that “no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint,” and the Federal Circuit Court of Appeals has held that laches can bar damages incurred prior to the commencement of suit, but not injunctive relief. *A.C. Aukerman Co. v. R. I. Chaides Constr. Co.*, 960 F.2d 1020, 1029-1031, 1039-1041 (Fed. Cir. 1992). It is noteworthy that the Supreme Court has not yet had the opportunity to pass on the Federal Circuit’s position.

What is clear: a copyright infringement defendant cannot mix-and-match the equitable laches defense with the Copyright Act's three-year limitations period to defeat a claim for damages brought within three years from accrual. This rule would seem to apply not only to a claim for actual damages under 17 U.S.C. § 504(b), but also to a claim for statutory damages under 17 U.S.C. § 504(c). Under "extraordinary circumstances" (which are not defined), a plaintiff's delay in bringing suit could affect the breadth and scope of relief on a plaintiff's claim for injunctive relief under 17 U.S.C. § 502, impoundment and disposition of infringing articles under 17 U.S.C. § 503, and a disgorgement of the defendant's profits under 17 U.S.C. § 504(b). How such equitable relief will be affected most certainly will be the subject of future litigation in the lower courts.