

# Client Alert

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## Supreme Court Finds Laches Does Not Bar Copyright Infringement Claim: *Petrella v. Metro-Goldwyn-Mayer, Inc.*

By Craig B. Whitney

The doctrine of laches cannot be invoked as a bar to a plaintiff's claim for damages brought within the Copyright Act's three-year statute of limitations period, according to the United States Supreme Court's decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.* The Court, in a 6-3 decision, held that Congress prescribed a specified period in which a copyright holder can recover damages for infringement and, "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period . . . courts are not at liberty to jettison Congress' judgment on the timeliness of suit." A laches defense is still viable, however, to bar equitable relief "in extraordinary circumstances" and as a factor at the remedial stage. As a result of this decision, copyright holders who previously refrained from pursuing an infringement action could be invigorated to bring suit, and businesses should be mindful that relying on a copyright holder's prior inaction will not bar a future copyright infringement suit, regardless of how much time or money was invested into the allegedly infringing activity. In addition, the Court's decision raises questions regarding the applicability of a laches defense to other laws with statutory limitations periods—including patent law.

### BACKGROUND

Paula Petrella is the daughter and sole remaining heir to Frank Petrella, an author of the screenplay on which the movie *Raging Bull* was allegedly based. In 1967, Frank Petrella assigned his copyright, including renewal rights, in the 1963 screenplay to Chartoff-Winkler Productions, Inc. A subsidiary of Metro-Goldwyn-Mayer, Inc. ("MGM") ultimately acquired the motion picture rights to the screenplay prior to the release of *Raging Bull* in 1980. Frank Petrella died in 1981—shortly after the movie's release—and, under copyright law, the renewal rights that MGM acquired reverted to Frank Petrella's heirs upon his death. In other words, when the initial copyright term for the screenplay expired in 1991 (because pre-1978 works are protected for an initial term of 28 years that can be renewed for up to 67 years), Paula Petrella could—and did—renew the copyright and become the sole owner of the copyright in that work, notwithstanding any past assignments.

In 2009, nearly 30 years after Frank Petrella's death and the release of *Raging Bull* and nearly 18 years after Paula Petrella renewed the copyright in the screenplay, Petrella filed suit in California for copyright infringement based on MGM's continued exploitation of the movie based on Frank Petrella's work. The statute of limitations for copyright infringement is three years, and, accordingly, Petrella sought damages for infringement for only the three years prior to the filing of the complaint, as well as injunctive relief barring future use of the work. The district court dismissed Petrella's claims on the basis of laches, given the delay in filing suit, even though the action was not barred by the applicable statute of limitations. The Ninth Circuit agreed and held that such a delay is justification in and of itself for dismissing the suit at the outset of the case.

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## THE SUPREME COURT'S DECISION

In a 6-3 decision, the Supreme Court held that laches cannot bar legal relief where there is an applicable statute of limitations enacted by Congress. In reaching this decision, the Court focused on the time limitations that Congress chose to include in the Copyright Act and the role of the doctrine of laches. In particular, “Congress provided two controlling time prescriptions: the copyright term, which endures for decades, and may pass from one generation to another; and § 507(b)’s limitations period, which allows plaintiffs during that lengthy term to gain retrospective relief running only three years back from the date the complaint was filed.” Because Congress has already fixed the applicable time limitations under copyright law, laches is inapplicable to bar an otherwise timely action. “[L]aches is a defense developed by courts of equity; its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation.”

The Court recognized in *Petrella* that it had never in its history applied laches “to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period.” The Court was unequivocal that, for claims seeking legal relief, laches is not an available defense in the face of an applicable statute of limitations. The doctrine of laches is “essentially gap-filling, not legislation-overriding. . . . Inviting individual judges to set a time limit other than the one Congress prescribed . . . would tug against the uniformity Congress sought to achieve when it enacted § 507(b).”

The Court explained, however, that laches may still have some limited application in copyright cases. While noting that actions in law and in equity merged in 1938, the Court nevertheless held that “in extraordinary circumstances . . . the consequences of a delay in commencing suit may be of sufficient magnitude to warrant, at the very outset of the litigation, curtailment of the relief equitably awardable.” But the Court reiterated that a copyright holder’s “right to prospective injunctive relief should, in most cases, remain unaltered.” In addition to the equitable relief of an injunction, the Court regarded the Copyright Act’s allowance of a copyright owner to recover an infringer’s profits as equitable in nature as well. Accordingly, a court can take into account a plaintiff’s delay in filing suit in assessing profits, as well as in determining appropriate injunctive relief.

Further, the Court explicitly stated that the doctrine of estoppel may still bar a copyright owner’s claims completely—eliminating all potential remedies—when a copyright owner engages in intentionally misleading representations concerning his abstention from suit and the alleged infringer detrimentally relies on the copyright owner’s deception.

Justice Breyer wrote a dissenting opinion, joined by Chief Justice Roberts and Justice Kennedy. The dissent explained that laches is an equitable doctrine that helps courts “avoid unfairness that might arise were legal rules to apply strictly to every case no matter how unusual the circumstances,” and such a doctrine should be available in copyright cases “[i]n those few and unusual cases where a plaintiff unreasonably delays in bringing suit and consequently causes inequitable harm to the defendant.”

## PETRELLA'S SIGNIFICANCE

*Petrella* removed a defense to copyright infringement that some previously thought available. Businesses should now be mindful that a copyright holder’s decision not to bring an action for infringement for an extended period of time will not preclude her from bringing one later—even after extensive investment was made by the accused infringer—provided that there is a separate infringing act occurring within the three-year limitations period. Where

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there is a question or dispute regarding whether a business's activities amount to copyright infringement, it may be in that business's interest to seek a declaratory judgment of non-infringement prior to investing money and resources into that activity.

The Supreme Court specifically found that "there is nothing untoward about [a copyright holder] waiting to see whether an infringer's exploitation undercuts the value of the copyrighted work, has no effect on the original work, or even complements it." Thus, the argument that the copyright holder unfairly waited in the weeds while the accused infringer spent years developing its allegedly infringing work is foreclosed—at least with respect to monetary damages, other than disgorgement of profits. And even with regard to injunctive relief, an unreasonable delay will bar such relief only in extraordinary circumstances. Thus, businesses would be wise to resolve any uncertainty early.

Finally, the *Petrella* decision raises questions about the applicability of laches to other laws that contain limitations periods enacted by Congress. In particular, the Patent Act contains a six-year limitation on damages, but the Federal Circuit has previously held that laches can bar damages incurred during that period. See *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F. 2d 1020, 1029-1031 (Fed. Cir. 1992) (en banc). The *Petrella* decision cites that case in a footnote but notes that the Supreme Court has not had occasion to review the Federal Circuit's position. Given the discussion in *Petrella*, the continued viability of a laches defense to patent damages is likely to be raised by patentees.

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