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INTELLECTUAL PROPERTY LAW

Intellectual Property Alert:
Supreme Court Allows Copyright Action, Holds No Laches Defense

By Ernest V. Linek

May 20, 2014 — Yesterday, in *Petrella v. Metro-Goldwyn-Mayer, Inc.* (No. 12-1315), the Supreme Court ruled that the doctrine of laches could not be invoked to bar a copyright claim that was brought within the statutorily allowed three-year window from a particular act of infringement — even though the copyright owner had a significant delay (over 18 years) from her inheritance of her father's copyright in a screenplay first copyrighted in 1963. MGM made the screenplay into the motion picture, "Raging Bull," based on the boxing career of former world middleweight boxing champion Jake LaMotta and starring Robert De Niro (who won the Best Actor Academy Award), in 1980.

Author Frank Petrella died during the initial copyright term, and by law, the renewal rights in his copyright reverted to his heirs. His daughter, Paula Petrella, renewed the 1963 copyright in 1991, becoming its sole owner. About seven years later, she advised MGM that its continued sale of the movie "Raging Bull" violated her copyright and threatened suit. About nine years later, in 2009, she filed an infringement suit, seeking monetary and injunctive relief limited to acts of infringement occurring in and after 2006.

As a defense to the infringement action, MGM asserted laches based on the 18-plus years during which MGM had continuously marketed the film. In its motion for summary judgment, MGM argued that this time constituted delay that was both unreasonable and prejudicial to MGM. The District Court granted MGM's motion, holding that laches barred the complaint. The Ninth Circuit affirmed.

The Supreme Court reversed. The Court's decision resolved a circuit split at the appellate level, where in copyright cases, some courts had applied the laches defense and others had not. The Court held that the lower courts had erred in "failing to recognize that the copyright statute of limitations, §507(b), itself takes account of delay." *Petrella*, slip op. at 11.

The Copyright Act provides both equitable and legal remedies for infringement: an injunction "on such terms as [a court] may deem reasonable to prevent or restrain infringement of a copyright," §502(a); and, at the copyright owner's election, either (1) the "owner's actual damages and any additional profits of the infringer," 504(a)(1),which Petrella sought in the case, or (2) specified statutory damages, §504(c).

The Act's statute of limitations (§507(b)) provides: "No civil action shall be maintained under the [Act] unless it is commenced within three years after the claim accrued." A claim ordinarily accrues when an infringing act occurs.

However, under the **separate-accrual rule** that attends the copyright statute of limitations, when a defendant has committed successive violations, each infringing act starts a new limitations period.

The *Petrella* opinion emphasizes that the Court has "never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period." *Petrella*, slip op. at 14-15.

Rather, the Court stated that laches is a "gap-filling, not legislation-overriding" measure that is appropriate **only** when there is not an explicit statute of limitations. *Id* at 14.

The *Petrella* ruling is in basic agreement with the position taken by the federal government during oral argument. The government argued that laches should be available only in "exceptional cases" as a defense within the three-year statutory period, and should serve only as a bar to equitable relief, not damages.

Of special interest to patent lawyers, during argument, Justice Ginsburg pointed out that the government's position was contrary to Federal Circuit precedent in patent cases, which holds just the opposite, namely that laches bars pre-suit damages but not equitable relief. Also of special interest in the opinion is the text leading up to footnote 15 (*Petrella*, slip op. at 12-13). In footnote 15, the Supreme Court makes it fairly clear that the Federal Circuit may be due for another patent law reversal:

> The Patent Act states: "[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint." 35 U.S.C. §286. The Act also provides that "[n]oninfringement, absence of liability for infringement or unenforceability" may be raised "in any action involving the validity or infringement of a patent." §282(b) (2012 ed.). Based in part on §282 and commentary thereon, legislative history, and historical practice, the Federal Circuit has held that laches can bar damages incurred prior to the commencement of suit, but not injunctive relief. *A. C. Aukerman Co.* v. *R. L. Chaides Constr. Co.*, 960 F. 2d 1020, 1029–1031, 1039–1041 (1992) (en banc). **We have not had occasion to review the Federal Circuit's position.**

(Emphasis added.) Justice Ginsburg delivered the opinion of the Court, in which Justices Scalia, Thomas, Alito, Sotomayor and Kagan joined. Justice Breyer filed a dissenting opinion, in which Chief Justice Roberts and Justice Kennedy joined. They would have affirmed the appellate decision based on laches.