



United States: Laches Not Available To Bar Damages Arising From Copyright Infringement

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Petrella v. Metro-Goldwyn-Mayer, Inc., 572 U.S. ___, 2014 WL 2011574 (May 19, 2014)

In an important decision favoring copyright plaintiffs, the Supreme Court of the United States recently ruled that the equitable doctrine of laches never bars a plaintiff from seeking to recover monetary damages for an infringement of copyright that occurs during the three years preceding suit.

The case, *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. ___ (May 19, 2014), involved a claim of infringement brought by the sole owner of the original screenplay for the Martin Scorsese-directed 1980 film "Raging Bull," based on the life of boxing champion Jake LaMotta and starring Robert De Niro, Cathy Moriarty and Joe Pesci. According to the registration, LaMotta's longtime friend and writer Frank Petrella had written the screenplay, in collaboration with LaMotta, and the screenplay was copyrighted in 1963. Petrella and LaMotta assigned their copyright and their renewal rights (explained below) to a production company that later became Metro-Goldwyn-Mayer, Inc. ("MGM"). In 1980, MGM released, and registered the copyright in, the film "Raging Bull." Petrella died a year later in 1981.

Under the applicable copyright law governing works copyrighted in 1963, like Petrella and LaMotta's screenplay, the author was entitled to an initial copyright term of 28 years, followed by a renewal term of 28 years that was later extended to 67 years. If an author of such a work assigned his/her rights to an assignee, but died during the initial term, his/her heir would be entitled to ownership of the renewal term of copyright upon expiration of the 28-year initial term, regardless of any intention by the author to assign the renewal term of copyright to the prior assignee.

Here, as noted above, Petrella died before the renewal term vested. Thus, on Petrella's death in 1981, any purported assignment by him of rights to MGM in the renewal term of copyright became ineffective, and in 1991, upon expiration of the initial 28-year term, his daughter was entitled to file for a renewal term of copyright with the U.S. Copyright Office. Indeed, in 1991 Paula Petrella, through her attorney, renewed the copyright in her father's screenplay.

Nevertheless, Paula Petrella waited seven years, until 1998, to inform MGM that she believed "Raging Bull" had been infringing her renewal copyright in the 1963 screenplay. For another two years, Petrella and MGM's lawyers exchanged letters, but Petrella did not take legal action. Nine years later, in 2009, Petrella filed a copyright infringement suit in federal court against MGM, claiming that MGM infringed her copyright by using, producing and distributing "Raging Bull," a work she described as derivative of her father's screenplay.

The statute of limitations section of the Copyright Act provides that an infringement lawsuit must be filed "within three years after the [copyright infringement] claim accrued." 17 U.S.C. § 507(b). A claim accrues when an infringing act occurs. When a defendant has committed multiple infringing violations (such as an additional reproduction, performance or distribution of an infringing film), the three-year statute of limitations runs separately from each violation. In short, each infringing act starts a new limitations period. Thus, Petrella argued that she was entitled to damages arising from MGM's reproduction and distribution of "Raging Bull" during the three-year period preceding her lawsuit, from 2006 to 2009.

In response, MGM argued that the equitable doctrine of laches completely barred Petrella's copyright infringement claim, including any claim for damages. Laches is an affirmative defense that allows a defendant to avoid otherwise meritorious claims when the plaintiff has unreasonably delayed in pursuing a claim in a way that prejudices the defendant. Because Petrella became owner of the inherited renewal copyright in 1991, but waited until 2009 – 18 years later – to bring suit, MGM argued that she unreasonably delayed to MGM's detriment.

The U.S. District Court for the Central District of California and the Ninth Circuit Court of Appeals agreed with MGM that laches barred Petrella's complaint. Both lower courts stated that MGM had shown prejudice resulting from Petrella's delay because in the intervening time MGM had made significant investments in distributing the film. Moreover, the courts found that MGM would encounter "evidentiary prejudice" because the author Frank Petrella had died and the boxer Jake LaMotta, then aged 88, appeared to have sustained a loss of memory – making it difficult for MGM to build evidence for its defense.

But in a 6-3 decision, the Supreme Court reversed the decisions below, and held that MGM could *not* invoke laches as a bar to Petrella's pursuit of legal remedies. The Court reasoned that the Copyright Act itself takes account of the effects of delay, through its three-year statute of limitations. In the Court's view, a plaintiff may wait to see whether it has suffered damages from the infringement before bringing suit: "[T]here is nothing untoward about 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." The Court further justified its opinion by observing that, even without laches, courts may limit the relief sought by the plaintiff who waits a long time to assert his/her rights, if justice so requires. For example, if the copyright owner misleads the defendant into believing that the plaintiff will not bring suit, the doctrine of estoppel may bar the plaintiff's claims completely. Moreover, the Court pointed out that if a copyright owner waits so long to bring suit that *equitable* relief (as opposed to damages) would impose a severe hardship on the defendant or "innocent" third parties, a court may apply laches to bar injunctive relief. Notably, the Court observed that awards of defendants' profits are "not easily characterized as legal or equitable" in nature, even though profits

are expressly available to prevailing plaintiffs under Section 504 of the Copyright Act, the same section that permits awards of damages. As applicable to this case, the Court held that, given the "protean character" of the profits-recovery remedy, the Court would treat the remedy as "equitable." It follows, according to the Court, that laches may be taken into account in fashioning awards of defendants' profits. Accordingly, the Court ordered that Petrella's lawsuit against MGM could go forward, and that, if successful, Petrella could seek monetary damages based on MGM's exploitation of "Raging Bull" since 2006.

This decision is a boon to copyright owners whose copyrights have been repeatedly infringed for many years but who wait a long while to bring suit, as laches can no longer bar their recovery of damages suffered within the limitations period. But the decision included some solace for MGM, and other similarly situated defendants: the Court instructed that if Petrella were to prevail, the lower court could take her delay into account when determining the appropriate injunctive relief and awarding profits. Thus, while a copyright infringement plaintiff who waits to sue will retain the right to seek damages, he or she still runs the risk of forfeiting significant, and potentially devastating remedies, as the infringer may retain the right to continue exploiting the work without having to disgorge all of its profits attributable to the infringement.

Justice Ginsburg wrote the opinion for the majority, in which Justices Scalia, Thomas, Alito, Sotomayor and Kagan joined. Justice Breyer wrote a dissenting opinion, in which Chief Justice Roberts and Justice Kennedy joined.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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