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High court to determine whether laches should KO copyright claim

The U.S. States Supreme Court has entertained oral arguments in *Petrella v. Metro-Goldwyn-Mayer Inc.*, 695 F.3d 946 (9th Cir. 2012), where it was asked to consider whether the defense of laches is available to bar copyright claims that are otherwise timely based on the Copyright Act's rolling three-year statute of limitations for ongoing infringement.

The issue arises from a copyright infringement Paula Petrella filed against Metro-Goldwyn-Mayer Inc. and others involved in the production and distribution of the film "Raging Bull." Petrella is the daughter and heir of Frank Petrella, a longtime friend of boxer Jake La Motta and upon whom the film and Robert De Niro's Academy Award-winning performance are based.

Following La Motta's retirement from boxing, he collaborated with Frank Petrella in developing a book and two screenplays about La Motta's life.

In 1976, Petrella and La Motta assigned their copyrights in these works to Chartoff-Winkler Productions Inc., which later assigned the motion picture rights to United Artists Corp., a wholly owned subsidiary of MGM. In 1980, United Artists released "Raging Bull" and registered a copyright on the film that year.

In 1981, during the original term of the copyrights for the book and screenplays, Frank Petrella died, and his renewal rights in the works passed to his daughter, Paula.

Several years later, the U.S. Supreme Court decided *Stewart v. Abend*, 495 U.S. 207 (1990), holding that when an author of a work dies during its original copyright term, his or her

renewal rights in the copyright revert to his or her heirs, and an owner of a derivative work does not retain the right to exploit that work regardless of an earlier agreement to the contrary.

In 1991, following the *Stewart* decision, Paula Petrella filed a renewal application with respect to one of her father's screenplays. Seven years later, she hired an attorney to inform MGM that its continued exploitation of the "Raging Bull" film constituted infringement of her exclusive rights in the screenplay. Over the next two years, Petrella exchanged numerous letters with MGM in which she accused the defendants of infringing her copyrights, and the defendants insisted that they were not.

While Petrella continued to threaten legal action during this time, she initiated none.

Almost a decade later — approximately 30 years after "Raging Bull" premiered — Petrella filed suit for copyright infringement, unjust enrichment and accounting. This claim was timely under the Copyright Act's statute of limitations because Petrella sought damages only from three years immediately preceding commencement of the lawsuit.

Regardless, the defendants argued the suit should be barred based on the doctrine of laches. They contended it was unreasonable for Petrella to wait almost 20 years to initiate her lawsuit despite having argued for several years that the defendants' continued exploitation of the film infringed upon her exclusive rights.

Petrella countered that she waited to contact the defendants during the decade following her registration of the screenplay's renewal rights (1991-2000)

IN THE LIMELIGHT



**JEFFREY
BECKER**

Jeffrey Becker is chair of Swanson, Martin & Bell LLP's entertainment and media law practice group. Among his clients are recording artists, screenwriters, filmmakers, record labels and publishers, actors, theatrical producers and various entertainment-related businesses for whom he provides comprehensive counseling and litigation services. He can be reached at (312) 321-8425 or jbecker@smbtrials.com.

because "the film was deeply in debt and in the red and would probably never recoup" and because she "did not know there was a time limit to making such claims."

With respect to the next 10 years of delay (2000-2009), Petrella argued that she did not pursue litigation because of family illness and a fear of retaliation.

The district court granted summary judgment in favor of the defendants, holding that while the copyright claim may have been timely under the relevant rolling statute of limitations, Petrella's claims were barred by laches due to her unreasonable delay in commencing litigation.

The 9th U.S. Circuit Court of Appeals affirmed, recognizing that laches is intended to prevent "a plaintiff, who with full knowledge of the facts, acquiesces in a transaction and sleeps upon his rights." According to the 9th Circuit, Petrella was

aware of her claims since 1991 but waited to file suit for 18 years. The court rejected the suggestion that the delay was reasonable because the plaintiff was waiting to see whether the film would be profitable.

"A delay 'to determine whether the scope of proposed infringement will justify the cost of litigation' may be reasonable; but delay for purpose of capitalizing 'on the value of the alleged infringer's labor, by determining whether the infringing conduct will be profitable' is not," the 9th Circuit declared.

The court also held that defendants were prejudiced by the delay:

"[O]ver the 18-year period of Petrella's delay, the defendants invested financial and other resources in marketing, advertising, distributing and promoting the film, totaling \$8.5 million domestically. They continued to make business decisions and enter into contracts relying upon their belief that they were the rightful owners of the right to exploit 'Raging Bull.' To the extent they should be proved wrong in their legal assumption through litigation, the anticipated profits from these investments and licensing agreements — the expectation of which underlay their business decision-making — would wind up in Petrella's pocket. That is the essence of expectations-based prejudice."

The U.S. Supreme Court granted certiorari based on a split among the circuit courts concerning the availability of laches as a defense in copyright cases. Unlike the 9th's Circuit's broad imposition of laches, the 4th Circuit has held that laches is no defense to copyright infringement claims, so long as they are filed within the statute of limitations. In the 6th Circuit, laches is

available only in the most compelling cases.

Similarly, the 11th Circuit recognizes a strong presumption in favor of the copyright plaintiff if a claim is filed within the statute of limitations, and it only allows imposition of laches as a defense to the recovery of retrospective damages in the “most extraordinary of circumstances.” The 2nd Circuit allows laches to be used only as a bar to injunctive relief but not to money damages.

The 7th Circuit has yet to take a position on this issue.

Before the Supreme Court, Petrella argued that because Congress instituted in the Copyright Act a statute of limitations with a specific time period for filing claims, courts should not impose a vague and amorphous doctrine such as laches to bar an otherwise timely action.

This argument garnered little support from the high court.

“What a statute of limitations says is not that you are scot-free within the statute of limitations period,” Justice Antonin Scalia noted. “It simply is a negative. It says you can’t be sued beyond that, right? [T]here’s nothing [in barring this suit] that would cause the statute of limitations to be frustrated.”

Justice Stephen G. Breyer admonished: “Who in their right mind would go ahead and make this [film] year after year if a huge amount of money is going to be paid to this copyright owner who delayed 30 years and didn’t even seem to own it? No one in his right mind would go and continue to produce this movie when every penny is going to go to the copyright owner. Not every penny they spent, but every penny of profit. ... [W]ho’s going to do it? Because every

three years they face a lawsuit.”

Echoing that view, Justice Elena Kagan stated that because of the Copyright Act’s “separate accrual rule and the feature of these roll-in statutes of limitations, combined within very, very lengthy copyright terms ... a plaintiff cannot bring suit for years, decades, and time the suit in order to maximize her own gain.”

The court also seemed hesitant to allow for injunctive relief in lieu of money damages. Justice Sonia M. Sotomayor stated that “in terms of injunctive relief, given their reliance on your failure to act for 18 years, they shouldn’t be put out of business and told that they can’t continue in their business. ... I’m more moved by the fact that someone could take over your copyright than I am by your injunctive relief argument.”

The court also looked at

imposing equitable defenses such as laches only in cases of equity rather than law. Breyer and Justice Anthony M. Kennedy pointed out that doctrines such as the discovery rule and estoppel, which allow for expansion of limitation periods, originated in equity and were brought into law, and they questioned why the same should not be true with respect to doctrines such as laches simply by the shorten limitation periods.

Following oral argument, it appears likely the top court will allow laches as a defense in copyright claims pursued an unreasonably long period of time after a plaintiff learns of potential infringement. It remains unclear, however, whether the court will adopt a version of the doctrine as expansive as the 9th Circuit’s.

A decision by the high court is expected in the coming weeks.