
Raging Bull Heiress Knocks Out MGM's Laches Defense

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In Petrella v. Metro-Goldwyn-Mayer, Inc., Supreme Court holds that laches cannot bar claims for damages for copyright infringement brought during the 3-year limitations period.

On May 19, 2014, in a case concerning the copyright in the screenplay that led to the critically-acclaimed movie *Raging Bull*, the U.S. Supreme Court held that laches cannot be invoked to preclude adjudication of a claim for damages brought within the three-year statute of limitations. Writing for the six-justice majority, Justice Ginsburg explained that laches is an equitable defense that cannot be applied to bar legal relief (such as claims for damages) in the face of Congress's clear limitations period.

Overview of Copyright Statute of Limitations and Laches

Petrella v. MGM concerns whether the affirmative defense of laches can be applied during the statute of limitations period applicable to a copyright infringement claim. Before focusing on that issue and the Court's analysis, however, a brief overview of the applicable statute of limitations and the affirmative defense of laches may be helpful.

Copyright infringement claims are subject to a three-year statute of limitations – meaning, they must be brought within three years of the act constituting infringement. This limitations period is counted separately for each infringing act (e.g., each sale of an infringing product, such as an unlawful copy of a song). This so-called “separate accrual rule” means that a copyright holder can sue for ongoing or continuing infringement, even if the first infringing act occurred more than three years in the past. But the separate accrual rule prohibits a plaintiff from recovering for damages arising from infringing acts occurring more than three years prior to the date of filing.

An affirmative defense, generally speaking, is a fact or set of facts that, if proven by the defendant, would defeat the plaintiff's claim, even if the plaintiff's allegations in the complaint were true. The affirmative defense of laches, which is expressly recognized in Federal Rule of Civil Procedure 8, is an equitable doctrine that bars claims if the plaintiff has unreasonably delayed in bringing them and, as a result of the delay, has prejudiced the defendant.

Background Facts & Issue Before the Court

Petrella concerns a copyright in the screenplay made into the acclaimed 1980 film *Raging Bull*, directed by Martin Scorsese and starring Robert De Niro, and based on the life of boxing champion Jake LaMotta. After retiring from boxing, LaMotta worked with Frank Petrella to produce a screenplay based on his life and registered a copyright in the screenplay in 1963. (The collaboration also led to a book and a second screenplay on the same subject-matter, but the case centered on the screenplay registered in 1963.) Eventually Petrella transferred his copyrights in the screenplays to MGM and other studios. In 1981, Frank Petrella died and, under the Copyright Act of 1976, his copyright renewal rights reverted to his family, specifically his daughter (and plaintiff in the lawsuit), Paula Petrella.

MGM continued to market *Raging Bull* and released several new boxed sets and editions of the movie. Petrella renewed the copyright to her father's 1963 screenplay in 1991. Although her lawyers engaged in occasional adversarial correspondence with MGM thereafter, she did not file the lawsuit at issue until 2009. In her suit, Petrella sought damages and injunctive relief. MGM moved for summary judgment on the basis of laches. The district court granted MGM's motion, finding that Petrella's delay in bringing suit had prejudiced MGM's business expectations and access to evidence. On Petrella's appeal, the U.S. Court of Appeals for the Ninth Circuit affirmed.

Petrella petitioned the U.S. Supreme Court for review of the Ninth Circuit's unfavorable ruling. Petrella highlighted a split in the circuit courts of appeals: In one corner of the ring, the Ninth Circuit applied laches to bar any relief (as it concluded here); in the other corner, the Fourth Circuit held that courts may not apply laches to bar a claim that falls within the statute of limitations. Other circuit courts of appeals were somewhere in the middle. Petrella's approach worked, as the Court granted review to consider whether and to what extent laches bars claims of copyright infringement brought within the three-year limitations period.

Not surprisingly, the parties' legal briefs on the merits presented diametrically opposed positions. Petrella framed the issue as one of separation of powers, arguing that, because the Copyright Act contains a statute of limitations and does not expressly recognize laches as an affirmative defense to an infringement action, federal courts lack the authority to apply laches and dismiss a suit filed within the limitations period on that ground. Put differently, courts cannot create a rule that bypasses or frustrates Congress's clear limitations period. Petrella further argued that, even if laches could be applied, it should only apply to bar equitable relief (such as injunctions) and not an entire case. For its part, MGM argued that laches should be "read-into" every federal statute unless specifically excluded; and, moreover, that it should apply to bar both legal and equitable relief.

Oral Argument & the Decision

The Court heard oral argument in January 2014. At that time it seemed that neither side was likely to score a technical knockout. However, Justice Ginsburg's opinion for the Court is a point-by-point takedown of MGM's position and holds that laches cannot bar claims for damages for copyright infringement occurring during the three-year limitations period. Thus, if Petrella prevails on remand, she will likely recover damages for any infringement that occurred during the three-year period before she filed suit.

The majority opinion is based on notions of separation of powers and clear legislative intent. The Court explains that laches performs a gap-filling function—it provides judges a means, based on equitable considerations, to bar cases where no statute of limitations is specified; but it should not be used where Congress has acted to set a statute of limitations and therefore no "gap" exists. Here, Congress set the statute of limitations for copyright claims at three years, so courts cannot apply laches to bar legal claims

brought within that period. The Court's careful distinction between legal relief (e.g., damages) and equitable relief (e.g., injunction) arises from the fact that laches is an equitable defense. The Court supported its conclusion that laches cannot be applied to the legal claims here by noting that "the dissent has come up with no case in which this Court has approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations."

The Court dismissed MGM's argument that because laches is mentioned in Federal Rule of Civil Procedure 8(c) as an affirmative defense, it should be applicable to all cases. Rather, the Court insisted that it has never applied laches to bar a claim brought within the limitations period in its entirety and that, for the reasons discussed above, this would be inappropriate.

The Court also dismissed MGM's concerns about prejudice from lost evidence due to Petrella's delay in filing suit. The Court pointed to the fact that Congress was presumably aware of that the passage of time could lead to lost evidence when it enacted long copyright periods and still granted family members renewal rights upon the original author's death as supporting its ruling. Moreover, under the Copyright Act, if infringement is shown, defendants can prove an offset from profits that would otherwise be awarded to the plaintiff, *i.e.*, amounts that are attributable to deductible expenses and factors other than the copyrighted work.

Finally, the Court stated that "there is nothing untoward" about copyright-holders waiting to file suit. The three-year limitations period, combined with the separate-accrual rule, allow a plaintiff to defer suit until the benefits of litigation outweigh the costs. This, the majority argued, is a good thing, in that it avoids a profusion of litigation over seemingly minor infringements. Instead, the Court suggested that trial courts should take delay in filing suit into consideration when fashioning equitable relief, such as determining a reasonable royalty, assessing profits, and tailoring injunctive relief.

Justice Breyer dissented, criticizing the majority for discarding laches from judges' toolboxes. Justice Breyer argued that there will always be cases—such as, in his opinion, Petrella's—where the delay in bringing suit is inequitable, and laches should be preserved as a tool for dismissing those cases. By taking this tool away, Justice Breyer argued that the Court will increase the number of lawsuits filed by rights-holders whose claims would otherwise have been barred due to their delay in filing suit. Justice Breyer also cautioned that revitalizing the distinction between law and equity will cause confusion in the trial courts.

Implications of the Court's Decision.

So what does this mean?

- First, one might wonder what is left of laches in copyright cases. The Court explained that in "extraordinary cases" laches could bar equitable claims or relief, such as a request for an injunction. By way of example the Court pointed to a case from the Court of Appeals for the Seventh Circuit where the defendant, with full knowledge of the plaintiff, constructed an apartment building allegedly infringing architectural designs whose copyrights were held by the plaintiff. In that case, because the plaintiff had knowledge of the construction plans but took no action, the plaintiff could not obtain an order mandating destruction of the apartment building. However, the Court suggested that Petrella's case was not extraordinary, as the relief sought by Petrella (profits and injunction) would not result in the destruction of the film or its copies in the hands of consumers. Indeed, there may be few "extraordinary" cases in which an injunction is denied on the basis of laches.

- Second, litigants are likely to argue that the Court's rationale in *Petrella* may be equally applicable to other federal statutes that contain statutes of limitations. Thus, one implication of this decision could be in connection with federal statutes not before the Court in this case.
- Third, by acknowledging that laches may still have a role to play as to equitable relief, the Court has reinvigorated the traditional distinctions between remedies arising at law and in equity. As noted in Justice Breyer's dissent, the lower courts may soon be tasked with making "uneasy and unnatural distinctions" between legal and equitable remedies in fashioning relief, leading to unpredictable results.
- Fourth, the end result in the copyright context is likely more litigation by rights-holders to whom laches might have previously presented a bar. For example, it was recently reported that rock band Led Zeppelin is facing the possibility of a copyright infringement suit by the estate of now-deceased members of the California rock band Spirit based on claims that Led Zeppelin copied the introduction of its legendary 1971 hit "Stairway to Heaven" from Spirit's earlier instrumental track "Taurus." While the merits of Spirit's claim are unknown, *Petrella* has conceivably removed at least one preliminary hurdle to such a claim.
- Finally, this case appears to impact parties in the pre-litigation stage, as the majority opinion places renewed emphasis on the distinction between the equitable defenses of estoppel and laches. Unlike laches' focus on delay, the focus in estoppel is on misleading conduct. The Court notes that when a copyright owner engages in misleading representations concerning his or her decision not to bring suit, and the alleged infringer relies on those deceptions, the doctrine of estoppel may be applied to completely bar the owner's legal and equitable claims. Parties engaged in correspondence regarding a possible copyright claim should be mindful of any conduct that could create reliance or expectancy in the recipient and possibly raise issues of estoppel. Although the Court in *Petrella* was not concerned that its ruling might have the effect of causing prospective plaintiffs to "wait and see" whether they should bring suit, that is not to say that conduct by the parties (especially interactions between them) will be irrelevant to potential defenses, including laches and estoppel.

If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the authors below.

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