

ClientAlert

Intellectual Property

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US Supreme Court Eliminates Laches Defense in Virtually All Copyright Infringement Claims

In *Petrella v. Metro-Goldwyn-Mayer*, the US Supreme Court resolved a circuit split and ruled that the equitable defense of laches does not bar a plaintiff's claim for damages brought within the Copyright Act's three-year statute of limitations.¹ The Court held that the owner of a screenplay could seek to recover damages from a movie studio for the film *Raging Bull* after waiting 18 years to file suit.² In doing so, the Court all but eliminated the laches defense in copyright infringement actions and established a precedent that allows copyright owners to seek damages even if they waited many years to bring suit and the defendant invested significant resources in reliance on that delay.

Background

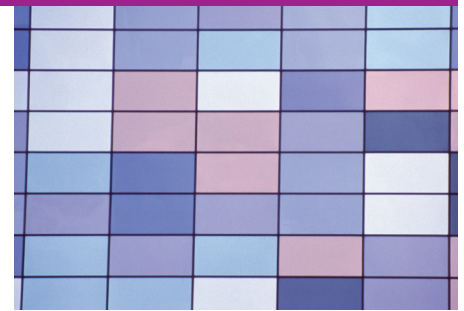
Frank Petrella, in collaboration with boxing champion Jake LaMotta, wrote a screenplay that chronicled the boxer's career. In 1976, Petrella and LaMotta assigned their motion picture rights in the screenplay, which MGM acquired. MGM released *Raging Bull* in 1980.

Rights in the copyright to the screenplay reverted to Petrella's daughter, Paula Petrella, who renewed the copyright and became its sole owner in 1991. Ms. Petrella's attorney notified MGM that she had obtained the copyright in the screenplay and that MGM's continued exploitation of *Raging Bull* infringed her rights. She did not file suit against MGM until 2009, however, some 18 years after acquiring ownership of the work.

The Decision

Both sides agreed that the Copyright Act barred claims for infringing acts that occurred before the three-year statute of limitations. MGM argued that, in addition, Ms. Petrella's claim within the limitations period was time-barred given her unreasonable, prejudicial delay in filing suit.³

The Supreme Court disagreed. Congress, the Court found, had already taken into account a plaintiff's delay when it adopted the statute of limitations.⁴ Other provisions of the Copyright Act allow a defendant to offset damages within the three-year period, letting the defendant retain the return on investment attributable to its own enterprise, as opposed to the value



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¹ *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. ___, slip op. at 1 (2014).

² *Id.* at 11 – 22.

³ *Id.* at 9.

⁴ *Id.* at 18.

created by the infringed work.⁵ Moreover, as laches is a remedy 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.”⁶ As such, laches cannot be invoked to bar legal relief, such as damages.

The Court carved out a very limited exception to this ruling. In “extraordinary circumstances,” the delay in commencing suit may warrant, “at the very outset of the litigation,” curtailment of certain equitable relief.⁷ The Court gave as an example the situation presented in *Chirco v. Crosswinds Communities*. There, plaintiffs knew of the defendant’s housing project, yet waited until after construction of 168 units to sue for infringement of plaintiffs’ copyrighted architectural design. The *Chirco* court found that plaintiffs would not be entitled to an order mandating destruction of the housing project.⁸ Finding no such “extraordinary circumstances” present in *Petrella*, the Supreme Court reversed the Ninth Circuit and remanded for further proceedings.

Implications

The decision has several important implications:

- *Petrella* resolves previously conflicting applications of laches by the courts and virtually eliminates laches as a defense to copyright infringement.
- Copyright owners will have greater flexibility in deciding when to assert their rights after learning of a potential infringement, letting them defer suit until they “can estimate whether litigation is worth the candle.”⁹
- Defendants will face greater uncertainty and risks when making substantial investments in projects that may later turn out to be infringing.
- Though in extreme circumstances laches may bar a plaintiff from obtaining an injunction, *Petrella* clarifies that in most cases a plaintiff’s delay in bringing suit, even if unreasonable and prejudicial, will not limit a defendant’s damages liability beyond what the statute of limitations provides.
- *Petrella* may establish a broader precedent for other cases, unrelated to copyright, that laches does not bar a claim for damages sought within a statute of limitations period set by the legislature.

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5 *Id.* at 11 – 12.

6 *Id.* at 12.

7 *Id.* at 20.

8 *Id.* (citing *Chirco v. Crosswinds Communities, Inc.*, 474 F.3d 227 (6th Cir. 2007)).

9 *Id.* at 17.