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Intellectual Property Law Alert - Supreme Court Holds That Laches Defense Cannot Bar A Claim For Copyright Infringements Brought Within The Statute Of Limitations

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The Supreme Court held yesterday that the equitable defense of laches does not bar relief on a copyright infringement claim brought within the three-year statute of limitations period.

Frank Petrella wrote two screenplays and a book about the career of boxer Jake LaMotta. Petrella registered the copyrights for the screenplays in 1963 and 1973 and for the book in 1970. The case, *Paula Petrella v. Metro-Goldwyn-Mayer, Inc.*, No. 12-1315 (2014), centers on a claim for copyright infringement relating to one of the screenplays.

In 1976, Petrella and LaMotta assigned their rights in the screenplays and book, including the renewal rights, to Chartoff-Winkler Productions, Inc. Those rights were subsequently acquired by a subsidiary of Metro-Goldwyn-Mayer (MGM). MGM created the award-winning film *Raging Bull* based on LaMotta's life.

Petrella died in 1981 during the initial terms of the copyrights in the screenplays and book. As a result, his heirs obtained the renewal rights to the works unencumbered by the previous assignments, *Stewart v. Abend*, 495 U.S. 207 (1990). Paula Petrella, Petrella's daughter, renewed the copyright in the 1963 screenplay in 1991 and is now the sole owner of the copyright in that work. In 1998, Ms. Petrella informed MGM that she had obtained the copyright to the 1963 screenplay. Nine years later, Ms. Petrella sued MGM for copyright infringement. She sought relief only for acts of infringement occurring within the three-year statute of limitations period mandated by 17 U.S.C. §507(b).

MGM moved for summary judgment on the equitable defense of laches, arguing that Paula Petrella's 18-year delay from the time of renewing the copyright until filing suit was unreasonable and prejudicial to MGM. The district court granted MGM's motion with respect to the laches defense and the U.S. Court of Appeals for the 9th Circuit affirmed.

Writing for a 6-3 majority, Justice Ginsburg found the 9th Circuit failed "to recognize that the copyright statute of limitations, §507(b), itself takes into account delay," (Slip Op. at 11). Because the statute limits relief to those acts occurring within three years of filing suit, the defendant in a copyright infringement case can retain the profit made in the prior years.

Additionally, even if infringement is shown within the three-year period, the defendant can offset against profits its deductible expenses, as well as any profits attributable to factors other than use of the copyrighted work. The defendant thus "may retain the return on investment shown to be attributable to its own enterprise, as distinct from the value created by

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the infringed work,” (Slip Op. at 12). The court further explained the laches defense had been developed by courts in equity and it traditionally applied “to claims of an equitable cast for which the legislature has provided no fixed time limitation,” (Slip Op. at 12). Supreme Court Justice Ruth Bader Ginsburg noted that the court had “never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period,” (Slip Op. at 12).

Despite its holding on the laches defense, the court went on to explain that in extraordinary circumstances, the “consequences of a delay in commencing suit may be of sufficient magnitude to warrant . . . curtailment of the relief equitably awardable,” (Slip Op. at 20). Thus, courts can take delay into account when determining injunctive relief and assessing profits.

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