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Trials & TRIBULATIONS

MGM KO'd by the U.S. Supreme Court

The daughter of the screenplay author for the Academy Award winning film "Raging Bull" has won by a split decision. Authors and other creators of copyrighted works also scored a major victory when the United States Supreme Court recently eliminated a significant barrier to recovering damages for copyright infringement.

In *Petrella v. Metro-Goldwyn-Mayer*, __ S. Ct. __, 2014 WL 2011574 (May 19), a 6-3 majority, led by Justice Ruth Bader Ginsburg, held that the "doctrine of laches" — meant to punish unreasonable and prejudicial delay in bringing a lawsuit — cannot bar an infringement claim for damages that has been filed within the three year limitations period contained in the Copyright Act.

The immediate effect is to give Paula Petrella, daughter of the screenplay author for "Raging Bull," her day in court to press an infringement action against Metro-Goldwyn-Mayer. The Supreme Court made clear that "laches" will not bar Petrella's claim for damages and she will be permitted to recover, in the event she is successful, for infringement since 2006 and, if MGM continues infringing, she will be permitted to collect going forward.

Facts

The allegedly infringing work is the critically acclaimed motion picture "Raging Bull", based upon the life of boxing champion Jake LaMotta. After he retired, LaMotta worked with his long-time friend, Frank Petrella, to tell the story of his career. Their combined work resulted in three copyrighted works: two screenplays, one registered in 1963, the other in 1973, and a book, registered in 1970.

The case before the Supreme Court centered on the screenplay registered in 1963. In the registration, Frank Petrella was identified as sole author, but also stated that the screenplay was written "in collaboration with" LaMotta. In 1976, Frank Petrella and LaMotta signed their rights in the three works, including renewal rights, to a production company that later was acquired by a subsidiary of MGM. In 1980, MGM released and registered a copy-

right in the "Raging Bull" film directed by Martin Scorsese, which starred Robert DeNiro, who won a best actor Academy Award for his portrayal of LaMotta. MGM currently markets the film and has converted the work into a DVD and Blu-ray.

Frank Petrella, who died in 1981, had his rights in the works reverted to his daughter Paula, who was permitted to renew the copyrights, unburdened by an assignment previously made by Frank Petrella.

Paula Petrella sued MGM for copyright infringement in 2009 — 18 years after she had renewed her father's copyright in the screenplay that she contends became the basis for the 1980 movie biography of LaMotta. She sought to recover damages for the three years from 2006 to 2009.

Lower court decision

In the lawsuit, Petrella alleged that MGM violated and continued to violate her copyright in the 1963 screenplay by using, producing, and distributing "Raging Bull", a work she described as a derivative of the 1963 screenplay. Petrella's complaint sought monetary and injunctive relief and, due to the three year statute of limitations contained within the Copyright Act, Petrella sought relief only for acts of infringement between the years 2006 to 2009. Petrella recognized that she cannot be awarded for any infringing acts prior to 2006.

The United States District Court, Central District of California, granted summary judgment to MGM based upon the studio's defense of laches after finding that the delay in filing was unreasonable and had prejudiced MGM in terms of its access to witnesses and evidence, and its business expectations. The District Court found that MGM had shown "expectations — prejudice," because the company had "made significant investments in exploiting the film." The court also accepted that MGM would encounter "evidentiary prejudice" because Frank Petrella had died and LaMotta, then aged 88, appeared to have sustained a

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loss of memory due to myriad blows to his head as a fighter, *Id.* at *8.

The United States Court of Appeals, Ninth Circuit, affirmed the District Court's decision, *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 695 F.3d 946 (9th Cir. 2012). Under Ninth Circuit precedent, the Court of Appeals observed, "[i]f any part of the alleged wrongful conduct occurred outside of the limitations period, courts presume that plaintiff's claims are barred by laches," *Id.* at 951. The Ninth Circuit indicated that the presumption was applicable because "[t]he statute of limitations for copyright claims in civil cases is three years," and Petrella was aware of her potential claims many years earlier (as was MGM), *Id.* at 951-952. The Ninth Circuit determined that MGM had established "expectations — prejudice" because the company had made a large investment in "Raging Bull," believing it had complete ownership and control of the film.

Supreme Court decision

The Supreme Court heard the *Petrella* case in order to resolve the split among the Circuit Courts over the application of laches in copyright infringement actions. Of note, the Court of Appeals, Second Circuit, denied an injunction for laches under the Copyright Act because "severe prejudice, coupled with ... unconscionable delay ... mandates denial of ... injunction for laches and relegation of [plaintiff] to its damages remedy," *New Era Publications Int'l v. Henry Holt & Co.*, 873 F.2d 576, 584-585 (2d Cir. 1989).

Justice Ginsburg wrote that the Copyright Act already accounts for any delays by providing that "no civil action shall be maintained under the [Act] unless it is commenced within three years after the claim accrued," *Petrella*, __ S. Ct. __, 2014 WL 2011574 at *9. A claim "accrues" when an infringing act occurs and each infringing act starts a new limitations period. Justice Ginsburg wrote, "[t]he expansive role for laches MGM envisions careens away from understandings, past and present, of the essentially gap-filling, not legislation - overriding, office of laches. Nothing in this court's precedent suggests a doctrine of such sweep," *Id.* at *10.

Justice Ginsburg found, assuming that Petrella had a winning case on the merits, "[t]he Court of Appeals' ruling on laches would effectively give MGM a cost-free license to exploit "Raging Bull" throughout the long term of the copyright. The value to MGM of such a free, compulsory license could exceed by far MGM's expenditures on the film," *Id.* at *9. MGM's argument that laches must be available to prevent a copyright owner from doing nothing, until he or she sees what the outcome of the alleged infringer's investment will be, was rejected by Justice Ginsburg.

MGM had apparently advised Petrella for years that "Raging Bull" was not profitable. Justice Ginsburg retorted, "there 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 compliments it," *Id.* at *11. The three-year limitations period, Justice Ginsburg wrote, "allows a copyright owner to defer suit until she can estimate whether litigation is worth the candle. She will miss out on the damages for periods prior to the three-year look-back, but her right to prospective injunctive relief should, in most cases, remain unaltered," *Id.*

If infringement is proved, Justice Ginsburg observed, then MGM may offset against profits made during the infringing period those expenses incurred in generating the profits. Additionally, a defendant may retain its return on investment attributable to its own enterprise. Justice Ginsburg further identified that although laches cannot bar a claim for damages, it might — in extraordinary circumstances — affect equitable relief, such as injunctions. No such extraordinary circumstances existed in Petrella's case.

A majority also found that if a copyright owner intentionally makes a misleading representation about why he or she delayed suing and the alleged infringer relied on those misrepresentations, the doctrine of equitable estoppel may completely bar the copyright owner's claims.

Justice Stephen Breyer, joined by Chief Justice John Roberts Jr., and Justice Anthony Kennedy dissented on the basis that the Copyright Act is silent on the subject of laches. "And silence is consistent, not inconsistent, with the application of equitable doctrines," *Id.* at *18. Justice Breyer further wrote, "[i]n those few and unusual cases where a plaintiff unreasonably delays in bringing suit and consequently causes inequitable harm to the defendant, the doctrine permits a court to bring about a fair result," *Id.* at *22.

Only time will tell the ramifications from permitting authors and creators to file lawsuits for alleged copyright infringement based upon works that may be decades old. One would anticipate a flood of lawsuits from authors and creators who will come out of the woodwork to claim that hit songs, movies, TV shows and other creative works, still in the marketplace in some sort of fashion, belong to them and that they want a share of the profits. In many cases, the defendants may be completely unaware, and will have difficulty mounting a defense, because key witnesses may be deceased, or their whereabouts unknown, not to mention documents and evidence regarding the history of the work may be destroyed or unavailable.

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