Against the Grain

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Cases of Note--Can Laches Bar a Copyright Claim?

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LEGAL ISSUES

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Cases of Note — Can Laches Bar a Copyright Claim?

Column Editor: **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>

PAULA PETRELLA V. METRO-GOLDWYN-MAYER. SUPREME COURT OF THE UNITED STATES. 134 S.Ct. 1962; 2014 U.S. LEXIS 3311.

Back before 1978, copyright protected a work for 28 years with a renewal period of up to 67 years. 17 U.S.C. § 304(a).

You know the theory. Penniless artist with no bargaining power gets an initial pittance, but the book is a huge hit. Now he can exert leverage on the publisher for the renewal.

Well, you also know how that worked out. The publisher made penniless artist sign away both to get the initial sale.

And those are our facts. **Frank Petrella** wrote a screenplay about boxing champ **Jake LaMotta** which became the famous movie **Raging Bull** (starring **Robert De Niro**, directed by **Martin Scorsese**). He copyrighted it in 1963, then assigned rights and renewal rights to **Metro-Goldwyn-Mayer** in 1976.

In 1980 **MGM** registered a copyright, and markets the film to this day. And they converted it into DVD and Blu-ray at what they claimed was a cost of millions.

Frank died. An author's heirs inherit the renewal rights. § 304(a)(1). And if he dies before the renewal period, the heirs get the renewal right even if he has assigned it. ***Stewart v. Abend,*** 495 U.S. 207 (1990).

That's quite interesting. Gosh darn it, what you can't learn when you read.

Frank's daughter **Paula** renewed the copyright in 1991. Then in 2009 she sued **MGM**.

The ***Copyright Act*** has a three-year statute of limitations. §507(b). So **Paula** only claimed damages from 2006. **MGM** moved for summary judgment invoking the equitable defense of **laches.**

What the Heck are Laches?

First of all, what the heck is an equitable defense? Back in Merry Old England, courts of law had only one remedy — money damages. If you wanted something else, you went to the King's Chancellor and begged a boon. The Chancellor's doings morphed into a Court of Equity with the remedy of injunction.

If your cattle invade my pasture, I don't have to keep suing you for lost grass each time. I can get an order enjoining you to keep the cows out and have you fined if you disobey it.

The Chancellor developed rules of fair play which are called equitable defenses. One of those was laches.

Laches is an unreasonable delay in starting suit that prejudices the defendant's case through perhaps loss of evidence. Laches predates statutes of limitations which deal with the same issue.

Copyright law had no statute of limitations until 1957. Federal courts looked to state limitations to answer the timeliness of claims issue. And laches was sometimes applied and used to overcome a statute of limitations. Congress finally filled the legislative hole with a three-year look-back limitations period.

When a plaintiff has a complete cause of action, the limitation period begins to run. ***Bay Area Laundry and Dry Cleaning Pension Trust Fund v. Ferbar Corp. of Cal.,*** 522 U.S. 192, 201 (1997). But should the defendant continue to violate, the period runs from each violation. See ***Stone v. Williams,*** 970 F.2d 1043 (CA2 1992).

Ooo-kay. So far, ***Paula*** *has the copyright. But* ***MGM*** *is insulated from any liability beyond three years. See 3* ***M. Nimmer & D. Nimmer, Copyright*** *§ 12.05[B][1][b].*

MGM claimed **Paula's** 18-year delay was prejudicial. The **Ninth Circuit** held that if any part of **MGM's** conduct was outside the limitation period then **Paula's** claims are barred by laches.

Paula admitted delaying the action because the film hadn't made money during the years when she didn't sue. The Ninth Circuit held this created an "expectations-based prejudice" against **MGM**. The studio had invested in **Raging Bull** believing it owned it.

I presume this changed when it was put into the miracle new formats for home entertainment.

Hence it felt **Paula** shouldn't be entitled to just sit back and watch **MGM** invest in promoting the movie and see how it turned out before she sued.

At the Supreme Court

The Ninth Circuit usually knows its copyright law, but they blew this one.

Law and equity were merged in 1938. **MGM** argued that laches is listed in the Federal Rules of Civil Procedure 8(c) as an affirmative defense apart from a statute of limitations claim. Thus it should be included in every federal statute of limitations claim.

The Supreme Court held that laches was a guide when statutes of limitations did not exist. It cannot be a rule for interpreting a statute like the ***Copyright Act*** § 507(b). And it cannot override Congress' clear intention as to the three-year period of damages that can be claimed.

The Court held that a copyright holder is not obliged to challenge every infringement. And it's pretty standard practice for a litigant to not sue if there's no money in it. See ***Wu, Tolerated Use, 31 Colum. J.L. & Arts*** 617, 619-620 (2008).

Under the Ninth Circuit's interpretation, a copyright holder would have to bring immediate suit for innocuous infringements or lose a right to sue later for a really big one.

On the issue of prejudice, **MGM** argued that evidence might be lost while a copyright owner sat around idle.

And that's pretty specious.

In fact, Congress just flat gave the copyright back to the heir. There's no evidence question at all. And the registration mechanism — "permissive" but required before you can sue – shows the copyright. The evidence is nothing more than the certificate of registration, the original work and the infringing work.

All of this is not to say that there might not be circumstances where laches would apply.

In ***Chirco v. Crosswinds Cmtys. Inc.,*** 474 F.3d 227 (CA6 2007), an architect sat around and watched a housing development go up knowing the contractor was using plans that violated his copyright. Then he sued and asked for an injunction to have the houses torn down.

The suit was filed within § 507(b)'s three-year statute of limitations, but laches prevented that kind of remedy. Money damages would be more equitable.

And why would an architect ask for such a crazy remedy except as a way of rattling the property developer and forcing him to settle.

In ***New Era Publications Int'l v. Henry Holt & Co.,*** 873 F2d 576 (CA2 1989), a copyright owner knew for two years of an infringement by a publisher, but sat around watching **Henry Holt** print, pack, and ship a book before asking for an injunction.

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Questions & Answers — Copyright Column

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QUESTION: An academic librarian inquires about a collaborative effort between his institution and another to share holdings information on a Website that is password protected. Holdings data are annotated to include a brief abstract which staff members produced if an abstract was not provided by the publisher. The data is arranged by subject on the Website and it has been very popular with students and faculty at the two institutions. If one of the institutions decides to open the Website to the public, what is the recourse? Which institution is liable if copyright is infringed?

ANSWER: It is not clear that there are copyrights in the holdings data, but there may be. The two institutions would jointly own the database they have created as a compilation, but the individual bibliographic entries are not copyrightable as they consist of factual data only. The published abstracts may be copyrighted and are owned by the publishers/authors that created them, but it is unlikely that either a publisher or author would complain about their inclusion on the Website. The abstracts written by staff members are owned by their respective institutions as they are works for hire, typically written as a part of the staff members' duties.

If the two institutions signed a contract to make the holdings data available on a password protected Website, the institution that makes the Website available to the public has breached the contract. Whether it is practical for one institution to sue the other for enforcement of the contract is an issue that legal counsel at the respective institutions should determine.

QUESTION: An author reported that she found a copy of my chart "When Works Pass into the Public Domain" at http://www.unc.edu/~unclng/public-d.htm. She asks about using a postcard published between 1923 and 1978 in a storybook she is writing. There is no copyright notice on the card and she wants to know whether it is in the public domain based on the chart. The postcard does include the name of the publisher and the photographer, but she has been unable to locate any information about either of them in order to seek permission to use the card.

ANSWER: A postcard published between 1923 and 1978 was protected by copyright if it was published with a notice of copyright: the copyright symbol or the word "copyright" or the abbreviation "copr." To constitute a valid notice, this is should be accompanied with the name of the copyright owner and the year of publication.

Even though the exact publication date was not included, it may be possible to approximate the date based on clothing of those depicted, automobiles, storefronts, etc. Postcards published between 1923 and 1978 without a copyright notice are now in the public domain; however, one of the three required elements of notice is present on the card. Some courts have been pretty liberal in holding that defective notices did not invalidate the copyright. There is some possibility that the work is under copyright if the copyright was renewed after the first 28 years, but it not very likely. Even with this, however, it is unlikely that the publisher would come forward and complain about use of the postcard in a book. Sometimes authors who want to use a work in their books just go ahead and assume the risk if their publisher agrees.

QUESTION: An elementary school teacher asks how to use PowerPoint slides in the classroom without being penalized.

ANSWER: Under section 110(1) of the ***Copyright Act***, graphic works may be displayed in a classroom of a nonprofit educational institution. The issue under this section of the Act is performance and display, not reproduction. Most argue that creating PowerPoint slides that reproduce copyrighted works in order to display them in a nonprofit classroom in the course of instruction is not actionable reproduction. So, displaying the slide to a class is no problem.

Further, permitting students to make their own copies of the slides used in class for private study may well be fair use.

QUESTION: A university archivist indicates that her institution has a collection of the personal papers of a former U.S. Senator which includes extensive scrapbooks of newspaper and magazine articles that he collected. The archivist wishes to scan these and make them available on the Web. What are the copyright problems with doing this?

ANSWER: The copyright in these articles typically is held by the publisher of the magazine or newspaper. It may be infringement to post these as such posting is a reproduction of the original copyrighted work. Many libraries and archives have gone ahead and scanned this material and made it available but with some restrictions on use. For example, the following statement appears in one such archive: "Copyright is retained by the authors of items in these papers, or their descendants, as stipulated by United States copyright law." Other archival collections indicate that if someone wants to reproduce one of these articles from the Web, permission should be obtained from the copyright owner.

As more newspapers make their back files available electronically, it may be possible to link to those articles rather than reproduce them.

QUESTION: A public librarian asks about archiving electronic copies of specific journal articles when the library has a subscription to the electronic journal. The reason for the archiving is to provide easy access because the staff knows that copies of the article will be requested repeatedly.

ANSWER: While this practice certainly makes sense to a librarian because it facilitates patron use of materials to which the library subscribes, the answer is controlled by the license agreement for the particular journal. If the license is silent as to whether archiving journal articles is permitted, librarians should ask the publisher for such permission and make sure that this is covered when the license agreement for that journal is renewed.

QUESTION: In his book "Lies Across America," author James Loewen used case studies of museum text and interpretation that he felt were inaccurate. Did he seek approval before reproducing this text in his book from the curator or institution? Does a museum have ownership to the text, exhibit catalogs, etc.?

ANSWER: **Loewen** was especially critical of how highway markers and descriptive plaques on monuments across America were inaccurate, often describing events that never occurred and omitting any mention of minority group participation. He quoted the language of the marker, plaques, etc., to point out the inaccuracies. Most of these were short statements that were unlikely to qualify for copyright protection. Assuming that he quoted longer descriptions from museum catalogs, there is no way to know whether he had permission. It may have been unnecessary for him to get permission, however. The fair use provision of the ***Copyright Act of 1976*** specifically lists exceptions from the ***Act's*** prohibition on copying. So, portions may be reproduced, i.e., quoted, for the purpose of criticism. The author's book certainly qualifies as criticism.

Museums do own the copyright in exhibit catalogs that they prepare, both the text and the compilation of images (not necessarily the individual images). Such ownership does not exempt the catalog from being quoted for criticism.

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Just as in the housing development, relief would be money damages.

But **Paula** was not asking for the destruction of the film. She merely wanted money damages. If **MGM** lost, it would be entitled to subtract from damages paid any expense in marketing the movie plus profit attributable to its own enterprise.

And there's an area for some creative Hollywood accounting.