No. 12-1315

IN THE

# Supreme Court of the United States

PAULA PETRELLA,

*Petitioner*,

v.

METRO-GOLDWYN-MAYER, INC., ET AL.,

*Respondents*.

ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

**BRIEF OF DISH NETWORK L.L.C., ECHOSTAR CORP., DIRECTV, TIVO INC., COMPUTER & COMMUNICATIONS INDUSTRY ASS'N, CONSUMER ELECTRONICS ASS'N, SATELLITE BROADCASTING & COMMUNICATIONS ASS'N, UNITED STATES TELECOM ASS'N, AND PUBLIC KNOWLEDGE AS AMICI CURIAE IN SUPPORT OF RESPONDENTS**

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## INTEREST OF AMICI CURIAE

This brief is being filed on behalf of DISH Network L.L.C., EchoStar Corporation, DIRECTV, TiVo Inc., the Computer & Communications Industry Association (CCIA), the Consumer Electronics Association (CEA), the Satellite Broadcasting & Communications Association (SBCA), the United States Telecom Association (USTelecom), and Public Knowledge. Amici represent creators, distributors, and consumers of technology.[1]

Since its founding in the early 1980s, DISH has reinvented the distribution of television programming. It is an industry leader in developing and bringing to market new technology, and its award-winning innovations include the Hopper with Sling Whole-Home HD DVR (a digital video recorder that enables customers to watch television programs from smartphones, tablets, and computers) and the Tailgater, a portable satellite dish that allows customers to watch television in recreational vehicles.

EchoStar is a global provider of satellite operations, video delivery solutions, and broadband satellite technologies and services for home and office. EchoStar designs, develops, and distributes digital set-top boxes and related products and tech-

[1] The parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than amici curiae or their counsel made a monetary contribution to its preparation or submission.

nology for satellite TV service providers, international telecommunication and cable companies, and individual consumers.

DIRECTV is a leading provider of digital television entertainment. Its vision is to deliver the best video experience for its customers, anytime and anywhere. Its primary strategy for achieving this vision is to combine unique and compelling content along with technological innovation and excellent customer service.

TiVo is a leading developer and provider of software and technology for advanced television services for set-top boxes, tablets, smartphones, and other consumer electronics. TiVo focuses on providing a user experience that enables the search, navigation, and access of content across disparate sources, including linear television and on-demand video in a single, easy, intuitive user experience. TiVo provides these capabilities both inside and outside the home through devices such as DVRs, traditional set-top boxes, tablets, computers, and smartphones. Since prior to the introduction of its first commercial product in 1999, TiVo has developed significant intellectual property applicable to the advanced television market and remains focused on continued innovation and protection of its intellectual property.

CCIA represents over 20 companies in the computer, internet, information technology, and telecommunications industries. Ranging in size from small entrepreneurial firms to some of the largest companies in these industries, CCIA members employ nearly half a million workers and generate approximately $250 billion in annual revenue. CCIA promotes open markets, open systems, open networks, and full, fair, and open competition in the computer, internet, information technology, and telecommunications industries. CCIA members believe that intellectual property protection is a vital component of the innovation dynamic but that excessive protection can be as harmful as too little. The vigorous competition and interactive dynamic nature of innovation, which are the keys to success in all technology industries, require a well-balanced system.

CEA is the preeminent trade association promoting growth in the U.S. consumer electronics industry. CEA members lead the consumer electronics industry in the development, manufacturing and distribution of audio, video, mobile electronics, communications, information technology, multimedia and accessory products, as well as related services, that are sold to consumers. Its more than 2,000 corporate members contribute more than $125 billion to the U.S. economy.

SBCA is the national trade organization representing all segments of the consumer satellite industry, including providers of video and broadband services and manufacturers, installers, and distributors of satellite equipment. SBCA provides industry leadership in protecting the rights of consumers and technicians to access the best in satellite delivered services and assuring it's available at a fair price.

USTelecom is the premier trade association representing service providers and suppliers for the telecommunications industry. USTelecom's member companies offer a wide range of services across communications platforms, including voice, video, and data over local exchange, long distance, wireless, Internet, and cable. These companies range from large, publicly traded companies to small rural cooperatives. USTelecom advocates on behalf of its members before Congress, regulators, and the courts for policies that will enhance the economy and facilitate a robust telecommunications industry.

Public Knowledge is a nonprofit public interest organization that works to defend citizens' rights in the emerging digital culture. Its primary mission is to promote online innovation, protect the legal rights of all users of copyrighted works, and ensure that emerging copyright and telecommunications policies serve the public interest.

As representatives of creators, distributors, and consumers of technology, amici have an interest in ensuring that "the administration of copyright law … promot[es] innovation in new communication technologies by limiting the incidence of liability for copyright infringement." *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 928 (2005). That interest extends to the question presented in this case, which implicates the length of time for which defendants, including those who develop and distribute technologies that may, but need not, be put to infringing uses, may be exposed to copyright liability. To innovators, the decision to innovate may be influenced every bit as much by the *duration* of potential exposure to copyright liability as by whether they will be held liable at all. The consumers who take advantage of these innovative technologies in order to increase overall social welfare likewise come to rely upon their longstanding uses and garner a reasonable expectation that an unchallenged practice is lawful. Any chill on innovation caused by extended exposure to copyright liability would harm the public's interest in the free flow of ideas, information, and commerce.

## INTRODUCTION AND SUMMARY OF ARGUMENT

As unsettling as a delayed copyright infringement suit is to a studio that has invested in the distribution of *Raging Bull*, Resp. Br. 48-50, or in the James Bond franchise, *Danjaq LLC v. Sony Corp.*, 263 F.3d 942 (9th Cir. 2001), it is even more disruptive in the technology space, where companies must spend many years and often hundreds of millions of dollars to develop new products, bring them to market, and update them. The prospect of being vulnerable to suit for decades or more is a particular concern for creators and distributors of "dual-use" technologies—products that a consumer can, at her election, use lawfully or in a manner giving rise to infringement. Many of the most important technologies by which people communicate and consume information and ideas have been dual-use—from the printing press and the typewriter to the photocopier, the VCR, and the iPod. When deciding whether to invest in new technologies that may be dual-use, innovators must take account of the liability risks, including the duration of their exposure to liability. That is true not just upon a product's initial launch, but each time the innovator considers updating and re-releasing the product. In today's marketplace, in which consumers constantly demand updated technology, such improvements are the norm. A plaintiff who declines to sue on version 1 of a product should not be permitted to wait years and then assert the same infringement theory against version 5, after the innovator has made continued investments in the intervening years. Not only the innovator, but consumers who believe they are making fair use copies, gain settled and reasonable expectations of peace and repose. A liability ruling decades after an innovator has made its initial investment, and then continued to double down on it, could be devastating. Laches operates to protect against such disruption.

This Court has recognized that the Copyright Act incorporates common-law doctrines that broaden liability, even when those principles do not appear on the face of the Act. The obverse must also be true: In just the same way, the Copyright Act incorporates traditional common-law *limitations* on liability.

Invoking the common law to expand liability was neither obvious nor easy. Take, for example, how the Court wrestled with the question whether the Copyright Act should be held to incorporate common-law principles of secondary liability, even though "[t]he Copyright Act does not *expressly* render anyone liable for infringement committed by another." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984) (emphasis added). The Court worried that expanding liability under the Act could harm technological innovation; it noted its "reluctance to expand the protections afforded by the copyright without explicit legislative guidance"; and it observed that in interpreting the Act, the Court should be "circumspect in construing the scope of rights created by a legislative enactment which never contemplated" the "competing interests that are inevitably implicated by … new technology." *Id.* at 431, 434-35 & n.17. Ultimately, however, the Court did expand liability. It did so because it looked to principles "imposed in virtually all areas of the law," *id.* at 435—i.e., common-law doctrines of secondary liability—and thus construed the statute to embrace an "unprecedented" theory of contributory copyright infringement. *Id.* at 421, 435 n.17.

The common law is not, however, a one-way ratchet. What it gives on grounds of equity, it also takes away—on that same principle of fundamental fairness. Doctrines that are "imposed in virtually all areas of the law," *id.* at 435, should limit copyright liability the same way they expand liability, unless Congress has manifested a clear intent to the contrary. After all, when "a common-law principle is well established … the courts may take it as given that Congress has legislated with an expectation that the principle will apply except 'when a statutory purpose to the contrary is evident.'" *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991) (citation omitted). No such purpose is "evident" here. *Id.* Instead, the Court should give force to the same considerations quoted above that motivated *Sony*; doing so is essential to preserve the fundamental balance reflected in the constitutional understanding that the goal of the limited copyright monopoly is to "stimulate artistic creativity for the general public good." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

Here, maintaining that balance requires the Court to recognize the common-law defense of laches. That venerable doctrine, and the security that it provides through repose, is particularly important to the undersigned amici. Amici are representative of entities and persons that create, distribute and use dual-use technologies. The creators and distributors of such technologies often are haled into court under theories of secondary liability, and as a result, they are uniquely subject to an eternal threat of litigation. This is true notwithstanding the statute of limitations: Because they do not control the conduct of their consumers, they can never stop the clock; even taking a technology off the market does not prevent direct infringement by individuals who already purchased it. Remarkably, the consumer herself can wake up one morning to find that while she has been using a DVR for many years to record shows and watch them later, that practice is now being challenged as unlawful. The result is that the distributor of a dual-use technology is not protected by the statute of limitations until three years after the last consumer stops using the device.

That creators and distributors of dual-use technologies are subject to an eternal threat of litigation is especially true because the courts have developed two doctrines—the "continuing wrong" doctrine and the "separate accrual rule"—that permit liability for conduct far outside the Act's three-year statute of limitations. Here, for instance, Petrella brought suit on the basis of allegedly infringing conduct that began nearly 20 years before and that had not changed materially in the intervening decades. Over such a long period of time, evidence inevitably is lost, memories fade, and expectations become settled. Because the statute of limitations has been held not to apply, however, the gross inequity that would result if such a suit could continue is ameliorated only by the doctrine of laches. This flexible doctrine permits courts to assess whether equitable considerations should bar relief even when the statute of limitations would not. Accordingly, it provides security and stability in a way that the statute of limitations, as interpreted by the courts, does not.

Abolishing laches as a defense would chill innovation. Dual-use technologies have revolutionized the way we communicate and consume information and ideas. But developing such technologies commonly requires years of effort and hundreds of millions of dollars. And updating them to maintain current technology requires a significant ongoing investment of time and money. Courts and commentators have long recognized that the scope of secondary infringement liability—and particularly uncertainty about the scope of such liability—can diminish an innovator's willingness to invest that time and money. Put simply: If this Court holds that Congress meant to abrogate laches when it enacted the Copyright Act, that statute will be transformed into one that gives rise to never-ending liability for technology innovators. But there is no indication that Congress intended to foreclose the longstanding and much-needed equitable defense of laches merely by enacting a statute of limitations. This Court should decline the invitation to do what Congress did not, and avoid taking a step that would have a detrimental effect on technological innovation.

## ARGUMENT

### I. WITHOUT LACHES, THE PROSPECT OF DELAYED INFRINGEMENT SUITS WILL CHILL INNOVATION.

#### A. Dual-Use Technologies Are Particularly Vulnerable To Delayed Infringement Suits.

When creators and distributors of dual-use technologies are accused of copyright infringement, typically they are sued under theories of secondary liability: contributory infringement,[2] vicarious infringement,[3] or induced infringement.[4] These doctrines do not appear in the Copyright Act, as this Court recognized in *Sony*. 464 U.S. at 434. Nevertheless, the Court determined, "[t]he absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity." *Id.* at 435. This is because "vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another." *Id.*

The likelihood that suit will be brought against a provider of dual-use technology, rather than its customer, has increased substantially in the digital age.

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[2] A defendant is liable for contributory infringement when it, "with [actual or constructive] knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another." *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

[3] A defendant is liable for vicarious copyright infringement when it "profit[s] from direct infringement while declining to exercise a right to stop or limit it." *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.,* 545 U.S. 913, 930 (2005).

[4] A defendant is liable for induced infringement when it "distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement." *Grokster, Ltd.*, 545 U.S. at 936-37.

Because of "a fundamental shift in the economics of copyright infringement," "copyright owners [have] shifted from suing infringers to suing facilitators." Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 Stan. L. Rev. 1345, 1355 (2004). Such alleged "facilitators" include manufacturers of electronic equipment such as digital video recorders (DVRs), *see, e.g.*, *Paramount Pictures Corp. v. ReplayTV*, 298 F. Supp. 2d 921 (C.D. Cal. 2004), as well as "makers of software that can be used to share files," "providers of search engines that help people find infringing material," and "'quasi internet service providers' such as universities, eBay, and Yahoo! Auction," Lemley & Reece, *supra*, at 1346-47. These entities are targets because "[t]he massive decline in the cost of copying has made large-scale end-user copyright infringement a more significant problem[,] …. [b]ut it simply is not cost effective to sue each end user." *Id.* at 1376. "Suing facilitators," on the other hand, "is cost-effective for the content industries because a single lawsuit can eliminate the dissemination mechanism for a large number of end-user copies." *Id.* at 1377.

The statute of limitations provides little protection against such suits, no matter how long the plaintiff has delayed or how stale the allegations. By definition, secondary liability is keyed to acts of direct infringement by third parties. *See, e.g.*, *Grokster, Ltd.*, 545 U.S. at 940. That means there is actionable direct infringement potentially triggering secondary liability every time a customer uses a dual-use technology unlawfully. So long as an act of direct infringement occurs within the limitations period, a suit against a technology provider often will evade the statute of limitations, even if the technology was developed and introduced to the public well outside of the initial limitations period. 3 *Nimmer on Copyright* § 12.04 ("If infringing acts personally committed by A occurred at a time beyond the period of the statute of limitations, but the infringing acts of B are not yet barred under the statute, then A may be rendered liable … if he is shown to be a related defendant with respect to the acts of B."). That means that the statute of limitations grants the creator or distributor of a device no protection until three years after the last consumer stops using the device.

The litigation over Sony's Betamax VCR, which culminated in *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417 (1984), demonstrates the problem faced by manufacturers of dual-use technologies. Sony introduced "the first home video recorder"—a "reel-to-reel machine that employed ½-inch tape and recorded in black and white"—in 1965. *Copyright Infringements (Audio and Video Recorders): Hearings on S. 1758 Before the S. Comm. on the Judiciary*, 97th Cong. 166-67 (1981-82) (statement of Joseph A. Lagore, President, Sony Computer Products Co.) (hereinafter *Audio and Video Recorders Hearings*). Four years later, "Sony created for home use a ¾-inch cassette color recorder called the U-matic," which "enjoyed much success in commercial use and became the accepted standard for broadcasting and industrial communications." *Id.* at 167. Then, "[a]s the evolution of this video technology continued, in 1975 Sony introduced the first Betamax home video recorders" in the United States. *Id.*

As this timeline demonstrates, the Betamax "did not just spring up over night"; it was the product of "[y]ears of research and development and several stages of introduction for … earlier phases of home VCRs." *Id.*; *see also id.* at 32 ("[O]ur capital investment in R. & D. has been considerable. So has that of the many other companies now in the field."). Testifying before Congress in the early 1980s, a Sony executive made clear that "[n]one of this [development] was done in a vacuum or in a low-key fashion[,] …. [n]or was it done without the full knowledge, and at times—in our opinion—the encouragement of the very same parties in the movie industry that eventually brought suit." *Id.* at 167. Moreover, he noted, "[t]he basic function of [the Betamax] is essentially the same as it was in 1965." *Id.*

Yet Sony was not sued for copyright infringement based on its VCR technology until 1976—nearly 11 years and hundreds of millions of dollars after Sony demonstrated its first video recorder for interested parties, including those who eventually filed suit. *Id.* at 169. After Sony's lengthy, expensive, and public efforts to develop and refine VCR technology, it was "shocked and surprised … to be named as a co-defendant in the lawsuit … which sought to prevent the sale of home video recorders."

*Id*. Notwithstanding the lengthy delay, the statute of limitations would have been no bar to suit.[5]

### B. Endless Exposure To Liability Discourages Innovation.

In the midst of the Betamax litigation, Sony offered an understandable lament: "Why," it asked, "would someone spend the billions of dollars needed to create new technology in the fashion we have here only to have it banned or recalled a decade and a half after the initial development began?" *Audio and Video Recorders Hearings* at 172 (statement of Joseph A. Lagore). Fortunately for Sony—and the public—the Court determined that secondary liability was unavailable in that case; applying the Copyright Act to the facts as they had been developed, 464 U.S. at 456, Sony's sale of VCRs did not make it secondarily liable for unlawful use by its customers, *id.* at 421. But, given persistent uncertainty about the scope of liability, companies that wish to innovate, and to continue reinvesting to improve a device, need appropriate protection, in the form of *ex ante* assurance that the investments in developing, updating, and marketing technology will not be undermined, and a company potentially destroyed, by an infringement suit filed years down the line.

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[5] Sony raised laches as a defense, *see Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 977 (9th Cir. 1981), but because Sony prevailed on liability, laches was never resolved.

The scope of potential liability for copyright infringement significantly affects whether an innovator in fact will innovate and continue to reinvest in improving its products: More potential liability means less innovation. Thus, as this Court has recognized, "the administration of copyright law" must reflect "a sound balance between the respective values of supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement." *Grokster, Ltd.*, 545 U.S. at 928. Put otherwise, "[i]f the law imposed the death penalty for parking tickets, we'd not only have fewer parking tickets, we'd also have much less driving. The same principle applies to innovation. If innovation is constantly checked by … uncertain and unlimited liability, we will have much less vibrant innovation and much less creativity." Lawrence Lessig, *Free Culture: How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity* 192 (2004).

The threat is real. Due to the availability of statutory damages, *see* 17 U.S.C. §§ 504(a), (c), copyright infringement liability can quickly become massive. In today's "online environment, where the scope of the infringing use will often not be ascertainable, making it hard to prove actual damages, the availability of statutory damages is increasingly important." Dep't of Commerce Internet Policy Task Force, *Copyright Policy, Creativity, and Innovation in the Digital Economy* 51 (July 2013), *available at* http://www.uspto.gov/news/

publications/copyrightgreenpaper.pdf (hereinafter Dep't of Commerce Green Paper). If the copyright owner elects statutory damages, then "with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally," the court must award damages "in a sum of not less than $750 or more than $30,000," with the maximum increasing to $150,000 if the infringement was willful. 17 U.S.C. § 504(c).

At first blush, those amounts may seem modest to the corporate innovator (though significant to an ordinary human being). But they become downright crushing when layered into a case alleging secondary liability. A blockbuster device can have millions of users copying billions of works. Multiply that by $30,000, or even only $750, and the liability for such a product could become astronomical and put a company out of business. One district court noted that on the facts of the case before it, statutory damages could, if calculated a certain way, "reach into the *trillions*," which is "more money than the entire music recording industry has made since Edison's invention of the phonograph in 1877." *Arista Records LLC v. Lime Group LLC*, 784 F. Supp. 2d 313, 317 (S.D.N.Y. 2011) (internal quotation marks omitted); *see* Stephanie Berg, *Remedying the Statutory Damages Remedy for Secondary Copyright Infringement Liability: Balancing Copyright and Innovation in the Digital Age*, 56 J. Copyright Soc'y U.S.A. 265, 268 (2009); *see also* Dep't of Commerce Green Paper at 52 (noting "the potential for huge statutory damages awards against online services because of the volume of works that they make available"); Mark A. Lemley, *Should A Licensing Market Require Licensing?*, 70-SPG Law & Contemp. Problems 185, 199 n.81 (2007) ("[B]ecause of an accident in the way statutory damages are calculated, anyone who is found liable for indirect infringement on the Internet faces liability of billions of dollars."). This is not a hypothetical. Studies of actual statutory damages awards demonstrate that fears of large awards are well-founded.[6]

Accordingly, "[a] legal standard that does not resolve the issue of secondary liability at an early stage of the proceedings will lead to 'debilitating uncertainty' and exert a chilling effect on innovation." Michael A. Carrier, *Innovation for the 21st Century: Harnessing the Power of Intellectual Property and Antitrust Law* 132 (2009); *see also* Lemley & Reece, *supra*, at 1388 ("[L]awsuits against facilitators directly deter innovation that might facilitate legal uses as well as infringement."). "To whatever extent" large damages awards "deter misbehavior," "they also deter investment by creating substantial uncertainty and risk." Comments of Computer & Communications Indus. Ass'n, *In re Request for Comments on Dep't of*

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[6] *See generally* Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 Wm. & Mary L. Rev. 439 (2009); J. Cam Barker, *Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement*, 83 Tex. L. Rev. 525 (2004).

*Commerce Green Paper, Copyright Policy, Creativity, and Innovation in the Digital Economy*, No. 130927852-3852-01 (Nov. 13, 2013), *available at* http://www.ntia.doc.gov/files/ntia/ccia-comments.pdf. Self-evidently, "[i]f an innovator is at risk of losing her whole company (and her house and her children's education), even a very small chance of liability will be enough to deter valuable innovation." Lemley, *supra*, at 199 n.81. In a recent study of "angel" investors—those who provide capital for start-up businesses—"89 percent said uncertain and potentially large damages made them uncomfortable with investing in [digital content intermediaries]." Matthew Le Merle, et al., Booz & Co., *The Impact of U.S. Internet Copyright Regulations on Early-Stage Investment: A Quantitative Study* 18 (2011), *available at* http://www.booz.com/media/file/BoozCo-Impact-US-Internet-Copyright-Regulations-Early-Stage-Investment.pdf.

Moreover, "[t]he anecdotal evidence of … deterrence" caused by the imposition of copyright liability "is quite strong." Lemley & Reece, *supra*, at 1388. For example, in a study of "31 CEOs, company founders, and vice presidents from technology companies, the recording industry, and venture capital firms," content providers and innovators agreed that "the 'lack of clarity' in the law 'is holding back innovation right now.'" Michael A. Carrier, *Copyright and Innovation: The Untold Story*, 2012 Wis. L. Rev. 891, 891, 945 (2012) (quoting record label official); *see id.* at 941 ("The prospect of statutory damages … could [also] discourage companies from fully developing their service because of the fear of increased damages. One respondent explained that the company was 'reluctant to expand its service' because it worried about 'potential extra damages if it lost.'").[7]

* * *

This is the legal landscape within which the Court must consider whether Congress meant to abrogate the historic availability of laches when it enacted the Copyright Act. In this world, the chilling effect of massive liability will be worsened all the more if the passage of time can provide innovators with no certainty. It is troubling enough that a new product could be sued out of existence before a company has a chance to generate a return on initial investment. The risk that the plug could be pulled after a product has gained success, generating additional, repeated investment to keep up with the fast pace of the technology markets, and perhaps even becoming the signature feature of a company's entire business, would be too great to bear. *See Audio and Video Recorders Hearings* at 172 (statement of Joseph A. Lagore). For the reasons that we discuss next, the statute of limitations is insufficient to protect innovators or to

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[7] It is no answer to say that when the separate accrual rule applies, the statute of limitations resets the clock on damages to the date three years prior to suit. For one thing, "[s]uits against facilitators" typically "seek to outlaw a service entirely or to declare a device or program contraband." Lemley & Reece, *supra*, at 1386. For another, as the *Arista Records* example indicates, statutory damages may be crushing even if cabined to the shorter window.

guarantee repose. Only the operation of laches can prevent absurd results and provide creators and providers of dual-use technology with the much-needed security that their innovations and investments will eventually be safe from ruin.

## II. IN THE ABSENCE OF LACHES, THE STATUTE OF LIMITATIONS PROVIDES INSUFFICIENT REPOSE.

The statute of limitations serves a historic and important function. Its efficacy is severely diminished within the Copyright Act, however, because multiple doctrines expand liability under that statute in ways that differentiate it from most others. Laches serves to protect against the absurd results that otherwise would occur.

A. 1. Statutes of limitations have a distinguished pedigree. They have existed since at least the time of Henry VIII, *see* The Act of Limitation with a Proviso, 32 Hen. 8, c. 2 (1540), and are now "'found and approved in all systems of enlightened jurisprudence.'" *United States v. Kubrick*, 444 U.S. 111, 117 (1979) (quoting *Wood v. Carpenter*, 101 U.S. 135, 139 (1879)). They are "primarily designed to assure fairness to defendants." *Burnett v. New York Cent. R.R. Co.*, 380 U.S. 424, 428 (1965). "The theory is that even if one has a just claim it is unjust not to put the adversary on notice to defend within the period of limitation and that the right to be free of stale claims in time comes to prevail over the right to prosecute them." *Id.* (quoting *Order of Railroad Telegraphers v. Railway Express*

*Agency*, 321 U.S. 342, 348-49 (1944)). Ultimately, statutes of limitations are intended to "giv[e] security and stability to human affairs." *Wood*, 101 U.S. at 139; *see also Taylor v. Meirick*, 712 F.2d 1112, 1119 (7th Cir. 1983). Like most other enactments, the Copyright Act contains a statute of limitations, which was adopted in 1957: "No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b).

2. In the Copyright Act, however, this statute of limitations, alone, does not provide the protection described above because of the operation of two common-law doctrines.

First is the doctrine of "continuing wrong." Under this principle, "[t]he initial copying [is] not a separate and completed wrong, but simply the first step in a course of wrongful conduct that continue[s] till the last copy of the infringing [work] [is] sold." *Taylor*, 712 F.2d at 1119. So long as "the final act of an unlawful course of conduct occurs within the statutory period," and the plaintiff "sue[s] within the statutory period," she can "reach back and get damages for the entire duration of the alleged violation." *Id.*

A second doctrine that can extend liability far beyond the three-year mark is the "separate accrual rule"—which, not incidentally, Petrella invoked here. Pet'r Br. 21-24. Under this doctrine, the statute of limitations does prevent the plaintiff from looking back more than three years to collect damages. But, "[i]f infringement occurred within three years prior to filing, the action will not be barred even if prior infringements by the same party as to the same work are barred because they occurred more than three years previously." 3 *Nimmer on Copyright* § 12.06; *see also, e.g.*, *Roley v. New World Pictures, Ltd.*, 19 F.3d 479, 481 (9th Cir. 1994); *Stone v. Williams*, 970 F.2d 1043, 1050 (2d Cir. 1992). Like the continuing wrong doctrine, "[t]he separate accrual rule is not based on the Copyright Act or its legislative history." 6 *Patry on Copyright* § 20.23.

These doctrines, both of which are judicial glosses on the Copyright Act based on traditional common-law principles, allow copyright liability to extend for decades or more—even if subsequent acts of infringement are identical or nearly identical to the act originally giving rise to suit.

3. The problems caused by the intersection of these doctrines with the statute of limitations are real, which is why "this Court has recognized" that "laches is a necessary component of a regime governed by a rolling limitations period." Resp. Br. 31 (citing *Nat'l R.R. Passenger Corp. v. Morgan*, 536 U.S. 101, 121-22 (2002)); *see also* Laycock Amicus Br. 24 ("if defendant continues to infringe, the statute of limitations may never run, and there is no way to take account of legitimate reliance interests without invoking laches or estoppel"). If laches were not available as a counterweight, absurd results would follow. The *Sony* case described above (at 13-15) is one significant example of this type of problem, but there are many more. Indeed, this case itself vividly

illustrates the issue. Petrella was aware of her own rights to her father's screenplay, as well as the movie studios' allegedly infringing conduct, some 18 years before she brought suit. Pet'r Br. 6-8. But because of the separate accrual rule, the statute of limitations did not bar suit, regardless of the prejudice or loss of evidence that had occurred in the meantime.

The same was true in several recent cases. In one, the statute of limitations would not have barred infringement claims based on the re-release of James Bond movies on DVD—notwithstanding the fact that "the allegedly infringing aspect of the DVD is identical to the alleged infringements contained in the underlying movie," each of which had been released between 19 and 36 years before the plaintiff filed suit. *Danjaq*, 263 F.3d at 953. While the plaintiff could no longer sue on the original acts of alleged infringement, the statute of limitations did not prevent him from suing on the re-release of the very same allegedly infringing movies three decades later.

In another case, the plaintiff claimed that Country Joe McDonald's song *Fixin' to Die a Rag* infringed on her copyright to the song *Muskrat Ramble*. *See Ory v. McDonald*, 141 F. App'x 581 (9th Cir. 2005). She had waited to file suit until "thirty years after the discovery of McDonald's alleged infringement"—but the statute of limitations would have been no defense because McDonald had made a new recording of his song within three years of the lawsuit. *Id*. at 583.

In yet another case, the plaintiff waited until two decades after it had sent the defendant a warning letter to file suit alleging that the defendant's instruction materials infringed its copyrights. *Kepner-Tregoe, Inc. v. Exec. Dev., Inc.*, 79 F. Supp. 2d 474, 487 (D.N.J. 1999), *aff'd*, 276 F.3d 577 (3d Cir. 2001). That suit would not have been barred by the statute of limitations because the defendant had continued to publish the allegedly infringing materials in the intervening decades, including a software version issued two years before the lawsuit. *Id*. at 481; *cf*. *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 820-23 (7th Cir. 1999) (trademark infringement suit not barred by statute of limitations, even though plaintiff waited 20 years to file suit, because of the continuing wrong doctrine); Feldman Amicus Br. 8-14 (describing 25-year delay in enforcement of rights to the Mini-Mental State Examination).

Only the availability of laches as a counter-weight can preclude such extreme results—where an initial claim for infringement could be barred, but a nearly identical claim occurring decades later would be timely notwithstanding the settling of expectations, the fading of memories, and the loss of evidence. Laches is itself a venerable doctrine, deeply rooted in the common law, and recognized by this Court for more than a century. It bars relief for a plaintiff who "'with full knowledge of the facts, acquiesces in a transaction and sleeps upon his rights.'" *S. Pac. Co. v. Bogert*, 250 U.S. 483, 500 (1919) (McReynolds, J., dissenting) (citing *Hayward v. Eliot Nat'l Bank*, 96 U.S. 611 (1877)); *see also*

*Martin v. Gray*, 142 U.S. 236, 239 (1891) ("[I]t is a rule of equity that an unreasonable delay in asserting rights is a bar to relief."). Laches is an "inherent doctrine of discouraging, for the peace of society, antiquated demands." *Badger v. Badger*, 2 Wall. 87, 94 (1864); *see also Mackall v. Casilear*, 137 U.S. 556, 566 (1890) (same). It accordingly reflects the principle Justice Oliver Wendell Holmes has expressed, that "[a] thing which you have enjoyed and used as your own for a long time, whether property or an opinion, takes root in your being and cannot be torn away without your resenting the act." *The Path of the Law*, 10 Harv. L. Rev. 457, 477 (1897).

So while laches serves purposes similar to a statute of limitations, it "'is not, like limitation, a mere matter of time.'" *Holmberg v. Ambrecht*, 327 U.S. 392, 396 (1946) (citation omitted). Rather, it is "'principally a question of the inequity of permitting the claim to be enforced'" and "depends on flexibility." *Id.* (citation omitted). Unlike a statute of limitations defense, "[l]aches requires proof of (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense." *Costello v. United States*, 365 U.S. 265, 282 (1961); *see also Penn Mut. Life Ins. Co. v. City of Austin*, 168 U.S. 685, 698 (1898) ("The reason upon which [laches] is based is not alone the lapse of time during which the neglect to enforce the right has existed, but the changes of condition which may have arisen during the period in which there has been neglect."); *Gardner v. Panama R. Co.*, 342 U.S. 29, 31 (1951) (same). It therefore is not, as

Petrella contends, "redundant of a statute of limitations." Pet'r Br. 28. Unlike the statute of limitations in the Copyright Act, "[i]n [Supreme Court] cases, as well as in [circuit court] precedent …, laches has been viewed as a single defense to a continuing tort up to the time of suit, not a series of individual defenses which must be proved as to each act of infringement, at least with respect to infringing acts of the same nature." *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1031 (Fed. Cir. 1992) (en banc) (citing *Lane & Bodley Co. v. Locke*, 150 U.S. 193 (1893) (patent infringement); *Menendez v. Holt*, 128 U.S. 514 (1888) (trademark infringement)).

Accordingly, in each of the cases described above, it was the commonsense application of laches that foreclosed a grossly delayed infringement suit—which a mechanical application of the statute of limitations otherwise would have allowed. *See Danjaq*, 263 F.3d at 954-56; *Ory*, 141 F. App'x at 583; *Kepner-Tregoe*, 79 F. Supp. at 487-91. In each case, the court properly recognized the unfairness that would have resulted from disrupting the defendant's settled expectations when the plaintiff had known of the allegedly infringing conduct for many years. *See Danjaq*, 263 F.3d at 956 ("[I]t would be inequitable to permit [plaintiff] to wait forty years, then to profit from the risk inherent in [defendant's] investment in the [James Bond] franchise."); *Ory*, F. App'x at 583 (defendant "invested time and money" in accused song); *Kepner-Tregoe*, 79 F. Supp. at 489-90 ("Where an alleged infringer … has developed its entire business around one name or product that another party then seeks to prohibit it from using or producing, prejudice sufficient for laches exists."). Laches allowed the courts to consider the equities, not just whether an alleged act of infringement had occurred in the past three years. *See Aukerman*, 960 F.2d at 1030 (a statute of limitations imposes an "arbitrary limitation on the period for which damages may be awarded," whereas "[l]aches … invokes the discretionary power of the district court to limit the defendant's liability for infringement by reason of the equities between the particular parties").

Learned Hand famously observed, nearly a century ago, that

> [i]t must be obvious to every one familiar with equitable principles that it is inequitable for the owner of a copyright, with full notice of an intended infringement, to stand inactive while the proposed infringer spends large sums of money in its exploitation, and to intervene only when his speculation has proved a success. Delay under such circumstances allows the owner to speculate without risk with the other's money; he cannot possibly lose, and he may win.

*Haas v. Leo Feist, Inc.*, 234 F. 105, 108 (S.D.N.Y. 1916). Foreclosing the application of laches, as Petrella urges, would run directly contrary to this basic equitable insight. It also would give rise to a gross asymmetry within the Copyright Act as that statute has been judicially interpreted. As noted above (at 6-7, 10-11), copyright liability has been broadened through secondary liability, and that broadening has been justified on the theory that "contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another." *Sony*, 464 U.S. at 435. Laches serves the same essential function of determining "the circumstances in which it is just" to cut off liability. *See Bowman v. Wathen*, 42 U.S. 189, 193 (1843) ("'[A] court of equity … has always refused its aid to stale demands, where the party has slept upon his rights for a great length of time. Nothing can call forth this court into activity but conscience, good faith, and reasonable diligence.'" (citation omitted)); *Penn Mut. Life Ins.*, 168 U.S. at 698 ("[W]here a court of equity finds that the position of the parties has so changed that equitable relief cannot be afforded without doing injustice, or that the intervening rights of third persons may be destroyed or seriously impaired, it will not exert its equitable powers in order to save one from the consequences of his own neglect."). Both doctrines call upon courts to apply basic principles of fairness as the consequence of a litigant's decision to act, or not, in light of what she knew. For infringement defendants, the court will consider whether their knowledge of infringement by others should give rise to secondary liability. For infringement plaintiffs, the court will consider their knowledge of the facts giving rise to a claim. To recognize one doctrine but not the other is to disrupt the balance that is so fundamental to this statute.

B. Petrella is incorrect to argue that recognizing the mere availability of laches in copyright claims would violate "[t]he separation of powers." Pet'r Br. 18. She makes much of the fact that "[t]he Lanham Act, which governs trademarks, … expressly authorizes 'equitable principles, including laches,' as defenses to infringement," Pet'r Br. 31 (quoting 15 U.S.C. § 1115(b)(9)), and that "[t]he Patent Act also includes language that may authorize the defense of laches," *id*. (citing 35 U.S.C. § 282(b)(1)). So, she argues, because the Copyright Act contains no comparable "wording inviting recourse to laches," there is a "negative inference" that is "unmistakable." *Id*. at 31-32.

But if that sort of negative inference were to govern, the Court never would have imported secondary liability into the Copyright Act. The Court in *Sony* recognized an omission of language in the Copyright Act that is present in the Patent Act, but declined to give that omission controlling weight. Specifically, the Copyright Act contains no language "expressly render[ing] anyone liable for infringement committed by another"—an omission that stands "[i]n contrast" with the Patent Act. That latter statute "expressly brands anyone who 'actively induces infringement of a patent' as an infringer, 35 U.S.C. § 271(b), and further imposes liability on certain individuals labeled 'contributory' infringers, *id*. § 271(c)." *Sony*, 464 U.S. at 435. But, rather than relying on this negative implication, *Sony* was guided by background common-law principles—noting, as discussed above, that "vicarious liability is imposed in virtually all areas of law." *Id.* The fact that § 501(a) of the 1976 Act did not refer expressly to secondary liability therefore was not viewed as abrogating the common-law rule of secondary liability previously acknowledged in *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911). Here, similarly, laches was at least as well established at the time Congress enacted § 507(b), *see Bowman*, 42 U.S. at 194, including in the specific context of copyright infringement, *see, e.g., Callaghan v. Myers*, 128 U.S. 617, 658-59 (1888); *Gilmore v. Anderson*, 38 F. 846, 848 (S.D.N.Y. 1889); *Haas*, 234 F. at 108; *see also* 3 *Nimmer on Copyright* § 12.06 ("laches has an illustrious pedigree across the circuits as a defense to a charge of copyright infringement"), and where the statute of limitations had not yet run, *see Richards v. Mackall*, 124 U.S. 183, 188 (1888) ("equity would sometimes refuse relief where a shorter time than that prescribed by statute had elapsed without suit").

Recognizing laches therefore is supported by the same interpretive principle, embraced by *Sony*, that Congress "is understood to legislate against a background of common-law adjudicatory principles. Thus, where," as here, "a common-law principle is well established ... the courts may take it as given that Congress has legislated with an expectation that the principle will apply except 'when a statutory purpose to the contrary is evident.'" *Astoria Fed. Sav. & Loan*, 501 U.S. at 108 (citation omitted); *see Anderson v. Pac. Coast S.S. Co.*, 225 U.S. 187, 199

(1912) ("[I]t will not be inferred that Congress, in revising and consolidating the laws, intended to change their effect unless such intention is clearly expressed."); *Shaw v. R.R. Co.*, 101 U.S. 557, 565 (1879) ("No statute is to be construed as altering the common law, farther than its words import. It is not to be construed as making any innovation upon the common law which it does not fairly express."). In particular, this Court has stated that it will "'not construe a statute to displace courts' traditional equitable authority absent the clearest command.'" *Holland v. Florida*, 130 S. Ct. 2549, 2560 (2010) (citation omitted*); see also United States v. Rodgers*, 461 U.S. 677, 708 (1983) (noting "the even more important principle of statutory construction that Congress should not lightly be assumed to have enacted a statutory scheme foreclosing a court of equity from the exercise of its traditional discretion"); *Scripps-Howard Radio, Inc. v. FCC*, 316 U.S. 4, 17 (1942) ("Where Congress wished to deprive the courts of this historic [equitable] power, it knew how to use apt words.").

No such command is evident here. On the contrary, to the extent Congress considered the issue at all, it was to direct that even if "equitable defenses" were not expressly included in the statute, "the Federal district courts, generally, would recognize … [them] anyway." H.R. Rep. No. 84-2419 (1956). Accordingly, the usual rule regarding the effect of laches in continuing tort cases must apply to copyright infringement suits.

## CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals should be affirmed.

Respectfully submitted,

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