No. 12-1315

In The Supreme Court of the United States

PAULA PETRELLA,

Petitioner,

v.

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

Respondents.

On Petition For A Writ Of Certiorari To The U.S. Court Of Appeals For The Ninth Circuit

PETITIONER'S REPLY BRIEF

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INTRODUCTION

Respondents focus on the wrong issue and the wrong court below. As the petition explains, the circuits are divided 3-2-1 over whether laches may bar copyright-infringement suits filed within the statute of limitations: Three circuits hold that, as a matter of law, laches cannot entirely bar such suits. Two others erect strong presumptions against laches, limiting it to exceptional cases. But one, the Ninth Circuit below, does not disfavor laches. On the contrary, it presumes that laches is available to bar continuing-infringement cases such as this one. The circuit conflict is entrenched, acknowledged, vitally important, and squarely presented.

Respondents largely skip over this question of law, assume that laches is available, and ignore any presumption against it. Instead, they squabble over a factbound question: was the test for laches that would ordinarily apply (absent a statute of limitations) satisfied on these facts? Opp. 7-15. Respondents dwell at length on the *district* court, whether it abused its discretion, and how it ruled on an evidentiary-prejudice point that was so controverted that the Ninth Circuit expressly declined to reach or resolve it. Opp. 1, 3-5, 7, 11-15, 19-24; Pet. App. 12a.

The district court's ruling, however, matters only because the Ninth Circuit held that laches is available to bar copyright claims brought within the statute of limitations, exactly as it may bar other claims that are *not* governed by statutes of limitations. The

petition challenges that legal holding, rather than the (disputed) factual questions respondents address. The Ninth Circuit's holding, which is dispositive here, conflicts with decisions of five other circuits. Further review is warranted.

I. Circuits Are Split 3-2-1 over Whether Laches Is Available to Bar Copyright-Infringement Suits

The federal courts of appeals apply starkly different legal tests governing whether laches may bar copyright-infringement claims. The decision below epitomizes "a dramatic pro-defendant tilt in copyright litigation within the Ninth Circuit." Amicus Br. 17. No other circuit would apply laches to bar petitioner's claim entirely, as did the Ninth Circuit. The entrenched split over this important issue of law is recognized by courts and commentators alike.

1. The Fourth Circuit has expressly held in a copyright-infringement case: "Separation of powers principles thus preclude us from applying the judicially created doctrine of laches to bar a federal statutory claim that has been timely filed under an express statute of limitations. . . . regardless of the remedy sought." *Lyons P'ship* v. *Morris Costumes, Inc.*, 243 F.3d 789, 798 (4th Cir. 2001).

As respondents concede, "*Lyons* . . . declined to apply laches to claims that were 'timely filed under an express statute of limitations.'" Opp. 18 (quoting 243 F.3d at 798). As respondents also concede (*id.*),

both *Lyons* and this case involved continuing infringements. That fact underscores the breadth of the circuit split. Aside from the Fourth Circuit, courts in the Second, Sixth, and Eleventh Circuits have also rejected laches claims even for continuing-infringement suits filed more than three years after the initial infringement, just as in this case. Pet. 17-18 & n.3; *Fox* v. *Riverdeep, Inc.*, No. 07-13622, 2008 WL 5244297, at *5-*7 (E.D. Mich. Dec. 16, 2008). By contrast, in the Ninth Circuit, continuing infringements trigger a presumption that laches is available. Pet. 23; Pet. App. 8a.

Respondents claim that *Lyons* turned on the absence of prejudice and shorter period of delay. Opp. 16. But the Fourth Circuit expressly declined to rest on narrow grounds, instead ruling expansively "for more fundamental reasons": "laches . . . applies only in equity to bar equitable actions, not at law to bar legal actions," particularly copyright suits governed by "the legislatively prescribed statute of limitations." *Lyons*, 243 F.3d at 797.

Respondents also hypothesize that *Lyons* is no longer good law after *eBay Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 392-93 (2006). Opp. 18. But *eBay* involved a different issue (the test for awarding a permanent injunction) under a different statute (the Patent Act). 547 U.S. at 390. As this Court stressed, "[n]othing in the Patent Act indicates that Congress intended such a departure [from equity practice]. To the contrary, the Patent Act expressly provides that injunctions 'may' issue 'in accordance

with the principles of equity.'" *Id.* at 391-92 (quoting 35 U.S.C. §283). The Copyright Act's statute of limitations contains no such language incorporating equitable principles.

We can find no case that has considered *eBay* relevant to the very different issue of laches under the Copyright Act, and respondents cite none. After *eBay*, other federal courts still invoke *Lyons'* holding, and district courts within the Fourth Circuit still follow it as binding precedent. *E.g.*, *Peter Letterese & Assocs., Inc.* v. *World Inst. of Scientology Enters., Int'l*, 533 F.3d 1287, 1320-21 (11th Cir.), *reh'g denied*, 307 F. App'x 438 (11th Cir. 2008); *Chirco* v. *Crosswinds Cmties., Inc.*, 474 F.3d 227, 231-32 (6th Cir. 2007); *Sater Design Collection, Inc.* v. *Waccamaw Constr., Inc.*, No. 08-4133, 2011 WL 666146, at *9 (D.S.C. Feb. 14, 2011) (relying on *Lyons* in holding, as a matter of law, that laches "cannot be applied to shorten the statutory [limitations] period" for copyright infringement); *Advance Magazine Publishers Inc.* v. *Leach*, 466 F. Supp. 2d 628, 636 (D. Md. 2006) (same); Pet. 19 n.4, 22 n.6.[1]

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[1] Respondents also err in analogizing a Fourth Circuit trademark case to this copyright case. Opp. 18. Unlike the Copyright Act, the Lanham Act governing trademarks expressly authorizes the defense of laches and does not contain an express statute of limitations. 15 U.S.C. §1115(b)(9) (2006); 17 U.S.C. §507(b) (2006); Pet. 29. Thus, no court other than the Ninth Circuit follows respondents' invitation to conflate laches under the Copyright Act and the Lanham Act. Pet. 23, 29; *see, e.g.*, *Peter Letterese*, 533 F.3d at 1321 n.40 (rejecting respondents' analogy).

2. Respondents also concede that "some courts [i.e., the Eleventh Circuit] . . . allow[ ] laches to bar a damages claim but not injunctive relief." Opp. 23. And they do not dispute that another court (the Second Circuit) takes the reverse view. Both views conflict with the Ninth Circuit's holding that laches bars all relief. Indeed, the Eleventh and Second Circuits' disagreements with each other, as well as with the Ninth Circuit, about *which* types of relief may be barred further highlights the conflict. This case, which presents claims for both damages and injunctive relief, presents an ideal opportunity for this Court to resolve the conflict.

a. The Eleventh Circuit categorically holds that laches can "not [bar] *prospective* relief" for copyright infringement. *Peter Letterese*, 533 F.3d at 1321 (emphasis added); Pet. 17. In conflict with the Ninth Circuit, the Eleventh Circuit would thus allow petitioner's suit to proceed, just as it permitted Peter Letterese's suit to proceed.

Even as to damages, the Eleventh Circuit erects a "strong presumption" against laches and requires a finding of "the most extraordinary circumstances." *Peter Letterese*, 533 F.3d at 1320. Although respondents claim that this case would meet that test, Opp. 19, neither the district court nor the Ninth Circuit made any such finding, nor could they have done so on this record. *Infra* p.10 & n.3.

b. The Second Circuit holds that "laches cannot bar" "a federal statutory claim seeking *legal* relief,"

such as damages for copyright infringement. *Ivani Contracting Corp.* v. *City of New York*, 103 F.3d 257, 260 (2d Cir. 1997) (emphasis added); Pet. 17-18 & nn.2 & 4. That rule would have allowed this case to proceed.

Respondents distort the Second Circuit's holding in *New Era Publ'ns Int'l* v. *Henry Holt & Co.*, 873 F.2d 576, 584-85 (2d Cir.), *reh'g denied*, 884 F.2d 659 (2d Cir. 1989). They note that *New Era* permitted laches to bar prospective (i.e., equitable) relief. Opp. 9, 16, 20. But they ignore the corresponding holding that, although laches had been shown, the plaintiffs' damages claim must nonetheless be allowed to proceed. Pet. 18 & n.2.

Respondents do argue that the Second Circuit would at least have treated petitioner's *equitable* claims as did the Ninth Circuit. Even if that were correct, the conflict on the *legal* claims would remain. But in any event, the Second Circuit permits laches to bar equitable relief only on "rare[ ] . . . occasion[s]." *Ikelionwu* v. *United States*, 150 F.3d 233, 238 (2d Cir. 1998). Respondents claim that this case is rare simply because of the length of time between the initial infringement and the filing of suit. Opp. 20. But as this Court has noted, "laches is not like limitation, a mere matter of time; but principally a question of the inequity of permitting the claim to be enforced." *Galliher* v. *Cadwell*, 145 U.S. 368, 373 (1892). Thus, even a delay of up to twenty-eight years after the initial infringement may not suffice to trigger laches. Pet. 18 n.3 (collecting cases). Indeed, this Court has

rejected a laches defense despite a twenty-seven year delay. *Costello* v. *United States*, 365 U.S. 265, 281-84 (1961) (alternative holding).

3. The Tenth Circuit "generally defer[s]" to the statute of limitations in copyright actions. *Jacobsen* v. *Deseret Book Co.*, 287 F.3d 936, 950 (10th Cir. 2002). Relying in part on *Lyons*, that court limits laches to "rare cases." *Id.* at 951 (internal quotation marks omitted). The Sixth Circuit likewise limits laches to "the most compelling of cases," such as when architects ask a court to destroy condominiums already bought and occupied by innocent third parties. *Chirco*, 474 F.3d at 233, 235-36; Pet. 20-21.

Respondents try to distinguish both of those cases as involving short delays. Opp. 16. But, as noted, laches is not primarily about the length of delay. And respondents cannot distinguish the Sixth and Tenth Circuits' presumptions against laches. Both circuits mandate a rare-case finding before applying laches that the courts below neither made nor could have made on this record. *Infra* p.10 & n.3. Without such a finding, both circuits would have reversed the grant of summary judgment here.

4. Many courts and commentators have acknowledged the circuit split over the past twelve years. Pet. 24-25. As Judge Fletcher noted in his concurrence, "[t]here is a severe circuit split on the availability of a laches defense in copyright cases." Pet. App. 23a. Nimmer and Patry both note the "divergent approaches" of the Second, Fourth, Sixth, Tenth, and

Eleventh Circuits. 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §12.06[A] (Matthew Bender & Co. 2012); *accord* 6 WILLIAM F. PATRY, PATRY ON COPYRIGHT §20.55 (West 2012).[2]

The commentators explain that circuits apply widely varying legal standards and that those differences matter greatly in practice. "Pending realignment of the circuits or intervention at the Supreme Court level, the [laches] defense accordingly remains in limbo – susceptible of defeating infringement claims in some circuits, non-cognizable in others." 3 NIMMER ON COPYRIGHT §12.06[A] (footnotes omitted).

In short, the conflicting cases do much more than merely apply "equitable discretion" to "different facts." Opp. 15. Five circuits reject or sharply limit that discretion as a matter of law, while the Ninth Circuit does not. Even on respondents' own wording of the question – "[w]hether the district court had

[2] Many student authors have acknowledged this circuit split. Emily Calwell, *Can the Application of Laches Violate the Separation of Powers?*, 44 VAL. U. L. REV. 469 (2010); Vikas Didwania, *The Defense of Laches in Copyright Infringement Claims*, 75 U. CHI. L. REV. 1227 (2008); Elizabeth Kim, *To Bar or Not to Bar?*, 43 U.C. DAVIS L. REV. 1709 (2010); Ryan Locke, *Resetting the Doomsday Clock*, 6 BUFF. INTELL. PROP. L.J. 133 (2009); Misty Nall, *(In)Equity in Copyright Law*, 35 N. KY. L. REV. 325 (2008); Dylan Ruga, *The Role of Laches in Closing the Door on Copyright Infringement Claims*, 29 NOVA L. REV. 663 (2005); Jason Swartz, *When the Door Closes Early*, 76 U. CIN. L. REV. 1457 (2008).

discretion" to invoke laches to dismiss this entire case, Opp. i. – three courts, and probably two more, would answer "no." It is hard to see how these courts could be any clearer in rejecting the Ninth Circuit's embrace of discretion. There certainly is a "conflict among the circuits on the underlying legal standard" for the availability of laches and thus a "need for this Court's review." Opp. 15.

II. There Are No Vehicle Problems

1. This case is a clean vehicle for reaching and resolving the question presented. Petitioner seeks only to recover damages dating from three years before she filed suit, plus prospective injunctive relief. Pet. 11. Respondents' repeated infringements from 2006 to this day fall squarely within the three-year statute of limitations.

Respondents nevertheless claim that this case "was not filed 'within' the three-year statute of limitations" because previous infringements occurred more than three years before suit was filed. Opp. 21. But they cite no authority for barring claims X, Y, and Z simply because claims A, B, and C could have been brought earlier. The statute of limitations accrues separately for each new act of infringement. Courts uniformly treat continuing-infringement suits challenging recent infringements as timely, even when they are filed more than three years after the initial infringement. Pet. 6-7 (citing Nimmer and Patry); *supra* pp.2-3; *see also Havens Realty Corp.* v. *Coleman*, 455

U.S. 363, 380 (1982) (adopting continuing-violation doctrine under Fair Housing Act).

2. Respondents also reiterate the district court's disputed finding of evidentiary prejudice, which the Ninth Circuit expressly declined to reach. Opp. 22-24; Pet. App. 12a. Although that finding was wrong, it is not at issue here. Rather, our claim is that the Ninth Circuit erred in holding that laches has any applicability here, regardless of that finding. As a matter of law, no amount of prejudice can justify entirely dismissing a suit in the Second, Fourth, or Eleventh Circuit. Even on the Sixth or Tenth Circuit's test, the courts below never made – and could not have made – the exceptional-circumstances findings that would be needed to apply laches.[3]

3. Next, respondents claim that the distinction between damages and injunctions was not raised

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[3] Any evidentiary prejudice here is modest at best. As petitioner noted below, almost all the key witnesses remain alive: not only Jake and Joey LaMotta but also director Martin Scorsese, lead actor Robert De Niro, the two screenwriters, and both producers. Appellant's Opening Br. (Br.) 48-49; Excerpts of Record (ER) 1089. The Ninth Circuit expressly declined to reach or resolve the evidentiary-prejudice issue, suggesting its difficulty. Pet. App. 12a.

Any expectations-based prejudice is similarly unexceptional. Petitioner cited testimony by respondents' employees that between 1991 and 2009, respondents earned much more money from *Raging Bull* than they invested, did not act differently after the suit was filed, and could identify *nothing they would have done differently* if petitioner had filed suit earlier. Br. 41-45; ER 1043, 1050-52, 1058-61.

below. Opp. 23. Petitioner's claim has always been that laches does not bar any of her claims for relief. The fact that the Fourth Circuit agrees with her position entirely, some courts agree in part, and the Ninth Circuit disagrees entirely illustrates the need for this Court's review. In reviewing petitioner's claim, this Court could certainly consider each potential answer advanced by the various circuits and adopt whichever one the Court finds correct. *Cf. Yee* v. *City of Escondido*, 503 U.S. 519, 534-35 (1992); S. CT. R. 14.1(a).

III. The Ninth Circuit Erred in Superimposing Laches upon the Express Statute of Limitations for Copyright Infringement

1. Congress enacted a uniform three-year statute of limitations for copyright to fix time limits and deter forum shopping. Pet. 6, 30, 32. As respondents note, the Senate Report recognized that there would be "'various equitable situations on which the statute of limitations is generally *suspended*.'" Opp. 10 (quoting S. REP. NO. 85-1014, at 3 (1957)) (emphasis added). But that point supports our argument. The Senate Report refers to equitable considerations bearing on "tolling the statute" of limitations, not shortening it. S. REP. NO. 85-1014, at 2.

This focus on tolling exemplifies a principle of equity: where no statute exists to override equity, equity may expand relief but may not contract it. As Justice Story put it, "equity follows the law." 1 JOSEPH

STORY, COMMENTARIES ON EQUITY JURISPRUDENCE §64, at 69 (W.H. Lyon, Jr., ed., 14th ed. 1918). Thus, where no statute of limitation governs an action, courts may apply laches flexibly. *Gardner* v. *Pan. R.R. Co.*, 342 U.S. 29, 30-31 (1951) (per curiam); *Holmberg* v. *Armbrecht*, 327 U.S. 392, 396 (1946); *Russell* v. *Todd*, 309 U.S. 280, 287-89 (1940) (all cited at Opp. 9-11). But "[i]f Congress explicitly puts a limit upon the time for enforcing a right which it creates, there is an end to the matter. The Congressional statute of limitations is definitive." *Holmberg*, 327 U.S. at 395.

2. "Laches within the term of the statute of limitations is no defense at law." Pet. 27 (quoting *United States* v. *Mack*, 295 U.S. 480, 489 (1935)). Respondents try to distinguish the cases cited in the petition as resting upon "the intersection between laches and *sovereignty*." Opp. 10-11. That is an alternative holding of *Mack*. But separation of powers, like federalism and tribal sovereignty (*id.*), also preserves legislative sovereignty. And the other cases cited in the petition (at 27) rely not on sovereignty but on the equitable rule that laches applies only when suit is brought in "equity, in the absence of any statute of limitations." *Russell*, 309 U.S. at 287. "[E]quity, following the law," will not trump a governing statute of limitations. *Id.* at 288; *see also Wehrman* v. *Conklin*, 155 U.S. 314, 326-27 (1894); *Cross* v. *Allen*, 141 U.S. 528, 537 (1891).

3. Finally, respondents and the panel below misread Learned Hand and confuse laches with equitable estoppel. Pet. App. 18a, 25a. They repeatedly cite

Haas v. *Leo Feist Inc.*, 234 F. 105, 108 (S.D.N.Y. 1916) (L. Hand, J.), *see* Opp. 6, 7, 9, 12, 13, which was written long before Congress enacted the copyright statute of limitations in 1957. Unlike laches, equitable estoppel requires knowingly inducing detrimental reliance. Pet. App. 25a-27a. And because it is not a timeliness doctrine, it does not conflict with the statute of limitations.

CONCLUSION

This Court should grant the petition.

Respectfully submitted,

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