

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 U.S. Court Of
Appeals For The Ninth Circuit**

**BRIEF OF *AMICUS CURIAE* RALPH OMAN,
FORMER REGISTER OF COPYRIGHTS OF
THE UNITED STATES IN SUPPORT OF
PETITIONER**

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STATEMENT OF INTEREST¹

Amicus curiae Ralph Oman has dedicated his career to intellectual property law and is uniquely qualified to opine on the provisions of the Copyright Act of 1976,² due to the pivotal role that he has played throughout his career in setting and influencing copyright policy in the United States.

Mr. Oman was responsible for developing the procedures and practices of the United States Copyright Office (“Copyright Office”) and implementing the statutory standards for copyright registration during his tenure as Register of Copyrights, the chief government official charged with administering national copyright law, from September 23, 1985 through January 8, 1994. Mr. Oman’s work as Register of Copyrights included helping facilitate the United States becoming a party to the Berne Convention for the Protection of Literary and Artistic Works (“Berne Convention”) in 1989, thereby achieving a goal of the United States that had not been realized in over one hundred years.

¹ No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution to the preparation or submission of the brief. Both parties have given blanket consent to the filing of *amicus* briefs.

² Pub. L. No. 94-553, 90 Stat. 2541 (1976) (codified at 17 U.S.C. §§ 101, *et seq.*).

Prior to his appointment as Register of Copyrights, Mr. Oman served in a number of other governmental positions where he was directly involved in the development and implementation of national and international copyright law. From 1975 through 1977, Mr. Oman served as Chief Minority Counsel on the Senate Committee on the Judiciary Subcommittee on Patents, Trademarks, and Copyrights, where he drafted language and helped negotiate compromises that resulted in the passage of the Copyright Act of 1976. Subsequently, from 1982 through 1985, Mr. Oman served as the Chief Counsel of the newly revived Subcommittee.

After his retirement from public service, Mr. Oman entered private practice, and was appointed the Pravel, Hewitt, Kimball and Kreiger Professorial Lecturer in Intellectual Property and Patent Law at The George Washington University Law School, where he currently teaches courses on copyright law. Mr. Oman has also remained actively involved in the intellectual property community in the United States and abroad, including serving as an expert witness on intellectual property law in judicial proceedings and serving as a guest lecturer on intellectual property issues.

As someone who was involved in the passage of the Copyright Act of 1976 and facilitated the United States becoming a party to the Berne Convention, Mr. Oman has a deeply vested interest in ensuring that the Court reaches a well grounded and reasoned decision in cases involving copyright law. Mr. Oman

has dedicated his career to copyright law and he wants to ensure that the provisions of the Copyright Act of 1976, particularly those that he was directly involved with in his capacity as Chief Minority Counsel and Register of Copyrights, are appropriately explained and contextualized for the purposes of this appeal.

Specifically, Mr. Oman is writing to provide the Court with information on the congressional intent behind the passage of the Copyright Act of 1976 as it pertains to the decision in this case. The copyright system was designed by Congress to ensure that copyright protection is afforded to all rightsholders in an equal manner, regardless of size or economic power. Application of laches would contravene this goal by creating unintended harm to some individuals, particularly small rightsholders, such as authors of literary works and their successors, whom Congress and the Copyright Office have actively worked to protect. Moreover, application of laches would frustrate the underlying goals of the copyright registration system, including providing notice, facilitating commerce, and encouraging the development of a cultural record.

Mr. Oman supports the view that the United States Supreme Court should reverse the decision of the United States Court of Appeals for the Ninth Circuit concerning the application of laches in this case and find in favor of Appellant Paula Petrella (“Ms. Petrella”).

SUMMARY OF ARGUMENT

This case arose from a dispute that Ms. Petrella had with Respondents MGM and 20th Century Fox (“Studios”) regarding infringement of her rights as a copyright holder by the continued reproduction and distribution of the critically acclaimed 1980 film *Raging Bull*, which she has alleged was based upon a 1963 screenplay (“Screenplay”) written by her father and registered by him with the Copyright Office shortly thereafter. In 1991, a decade after her father’s death, Ms. Petrella took the necessary and appropriate affirmative steps to secure a valid renewal copyright in the name of his statutory successors, pursuant to 17 U.S.C. § 304(c). Therefore, in accordance with *Stewart v. Abend*,³ his renewal interest in the Screenplay copyright passed to his successors as a “new estate,” free and clear of any claim founded on an assignment made by Ms. Petrella’s father during his lifetime. Ms. Petrella subsequently became the sole owner of this renewal interest as a result of her mother’s death and her brother’s assignment to her of his rights. Accordingly, Ms. Petrella now asserts that continued exploitation of the film without her consent infringes her rights in the Screenplay.

From time to time, since the copyright in the Screenplay was renewed in 1991, *Raging Bull* has been offered to the public in a variety of new formats. Starting in 1998, Ms. Petrella initiated a

³ 495 U.S. 207 (1990).

series of exchanges of letters with the Studios, which ultimately failed to resolve her objections to their continued exploitation of the film. In 2009, she brought suit in the United States District Court for the Central District of California for copyright infringements that had occurred in the three years prior to her filing suit, invoking the so-called “separate accrual rule” with respect to the three-year statute of limitations stipulated in the Copyright Act of 1976.⁴ Under this rule, for example, Ms. Petrella would have been entitled to claim damages with respect to the 2007 *Raging Bull* Special Edition Two-Disc DVD “Sports Gift Set,” as well as the Blu-Ray release of the film that commenced in 2009. However, the District Court held that, although Ms. Petrella’s suit was timely under the statute of limitations, the entire suit was barred based on the non-statutory equitable defense of laches.⁵ The District Court noted that Ms. Petrella’s claims would have survived the motion for summary judgment were it not for the application of laches.⁶

The Ninth Circuit Court of Appeals affirmed the District Court’s ruling. Ninth Circuit precedent dictates that three elements must be met to trigger

⁴ 17 U.S.C. § 507(b) (2012); *see e.g.*, *Gabelli v. SEC*, 133 S. Ct. 1216, 1220 (2013) (*quoting Wallace v. Kato*, 549 U.S. 384, 388, (2007) (“the standard rule that [accrual occurs] when the plaintiff has ‘a complete and present cause of action.’”)).

⁵ *Petrella v. Metro-Goldwyn-Mayer, Inc.*, No. CV 09-72-GW (MANx), *8 (C.D. Cal. Feb. 3, 2010).

⁶ *Id.* at *5.

the non-statutory defense of laches: (1) delay; (2) unreasonable delay; and (3) prejudice, either evidentiary or expectation-based.⁷ The Ninth Circuit Court of Appeals concluded that Ms. Petrella's delay in bringing the suit was unreasonable because she waited until she determined "whether the infringing conduct [would] be profitable."⁸ The Ninth Circuit Court of Appeals based its finding of prejudice solely on the money expended on marketing, promotion, and distribution of the film during the period of delay in bringing the suit.⁹

This case is the first occasion on which this Court will consider whether laches is available to bar a copyright infringement suit when the suit is timely under the Copyright Act of 1976's three-year statute of limitations.

Amicus is concerned that the flawed reasoning and incorrect holding of the Ninth Circuit Court of Appeals will have implications for copyright law that go far beyond this case, and that will undermine the intent of Congress when passing the Copyright Act of 1976, and disturb the proper functioning of the copyright system.

The decision below places an inappropriate burden on copyright owners attempting to enforce

⁷ *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 695 F.3d 946, 952 (9th Cir. 2012).

⁸ *Id.*

⁹ *Id.* at 953-56.

their statutory rights. Applying laches where a clearly defined statutory period of limitations exists, such as with the three-year statute of limitations set forth in the Copyright Act of 1976, contravenes the intent of Congress and unduly penalizes copyright owners, particularly small rightsholders, who have complied with all of the statutory requirements. Furthermore, applying laches in this situation will frustrate the intended benefits to society at large that Congress envisioned when it enacted the Copyright Act of 1976.

Reforms to the copyright law that have taken place in the last century underscore the intent of Congress and the Copyright Office in ensuring that the benefits of copyright protection flow equally to all rightsholders, regardless of size. The application of laches would contravene this objective by prejudicing authors, their individual successors, and other small rightsholders. Similarly, the application of laches would run contrary to the copyright system's long-standing policy of granting rightsholders broad discretion regarding enforcement of their rights. Indeed, the application of laches would create a situation where courts were flooded with claims by rightsholders who feared losing their rights if they did not bring suit. Furthermore, the application of laches would create perverse incentives, prejudicing small rightsholders while potentially encouraging infringement by large entities who could use copyrighted material of small rightsholders who did not have means to bring suit, thereby effectively divesting them of their rights in that material.

ARGUMENT

A. APPLYING LACHES WOULD UNDERMINE THE IMPORTANT ROLE OF THE COPYRIGHT SYSTEM IN PROVIDING NOTICE, ENCOURAGING THE DEVELOPMENT OF A CULTURAL RECORD, AND FACILITATING COMMERCE

The architecture of the Copyright Act reflects a series of important congressional choices about how to reward and promote individual creativity. As has been noted, both Ms. Petrella and her father, author of the Screenplay, complied fully with the requirements that the Copyright Act imposed for perfecting and retaining rights in a work of authorship — he by registering his work in 1963, and she by renewing the copyright in 1991. Likewise, Ms. Petrella, after attempting to achieve an out-of-court resolution with the Studios, eventually brought suit in full compliance with the three-year statute of limitations that has been a part of the federal copyright law since 1957.¹⁰ However, the Studios now seek, in essence, to employ the non-statutory defense of laches to deprive Ms. Petrella of the benefits that should accrue as a result of her family's strict compliance with these statutory provisions.¹¹

¹⁰ 17 U.S.C. § 507(b) (2012).

¹¹ *Id.*

In effect, the Studios appear to assert that, despite full compliance by both Ms. Petrella and her father with the features of the copyright system specifically designed to provide, among other things, public notice of outstanding claims of copyright ownership, she should now be severely penalized for not doing more to publicize these claims. The endorsement of this position by the Ninth Circuit Court of Appeals threatens to undermine both the will of Congress and the proper functioning of the copyright system.

1. Registration Of Copyright Claims Serves A Notice Function

Under the provisions of the 1909 Act that controlled when Mr. Petrella registered his copyright claim in the Screenplay, registration was not required but strongly encouraged, and the same remains true today.¹² Among the incentives was — and is — the fact that a certificate can be offered in court as *prima facie* evidence of the validity of the copyright and the accuracy of the facts stated therein.¹³ In 1991, when Ms. Petrella registered her claim to renewal, this additional affirmative step was a prerequisite for receiving protection beyond

¹² Copyright Act of 1909, Pub. L. 60-349, 35 Stat. 1075 (Mar. 4, 1909; repealed 1978).

¹³ See 17 U.S.C. § 410(c) (2012); *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092 n.1 (2d Cir. 1977) (certificate given same effect under Copyright Act of 1909).

the initial 28-year copyright term. It is noteworthy that, when effective in 1992, the option of relying on automatic copyright renewal was introduced in legislation. Congress instituted strong incentives to encourage those with valuable rights to continue making affirmative renewal filings. Among those incentives is the ability to establish the renewal copyright in the name of the renewal claimant.¹⁴ Additionally, the renewal claimant's right to control the use of pre-existing derivative works in the extended term turns on there having been an affirmative renewal.¹⁵

The registration of copyright claims continues to promote an important public purpose. It creates a public record of the information contained in a copyright.¹⁶ Today, for example, a copyright owner of a work can register the work by submitting a completed copyright application form, registration fee, and two copies of the work to the Copyright Office. The registration of claims for renewal in pre-1978 works had a similar purpose and, for that reason, were strongly encouraged and incentivized.

¹⁴ Copyright Amendments Act of 1992, Pub. L. No. 102-307, 106 Stat. 264 (1992).

¹⁵ *Id.* See also U.S. Copyright Office, Library of Congress, *Circular 15: Renewal of Copyright 2* (2006) [hereinafter *Circular 15*], available at <http://www.copyright.gov/circs/circ15.pdf>.

¹⁶ *Cosmetic Ideas, Inc. v. IAC/InteractiveCorp*, 606 F.3d 612, 621 (9th Cir. 2010) (“central purpose” of registration requirement is “the compilation of a robust national register of existing copyrights”).

Likewise, by continuing to provide incentives for voluntary affirmative renewal, Congress continued to recognize the value of that public record even when it introduced “automatic” renewal in 1992.

Copyright registration can function as a notice to inform the public that a work is protected by copyright law, and that one (or several) claimants assert a right in it.¹⁷ The Ninth Circuit Court of Appeals’ endorsement of the Studios’ assertion of laches in this case is particularly ill-conceived given that the Petrellas’ studious compliance with the very mechanisms that Congress designed to encourage the creation of an accurate public record of copyright information and to provide a clear public notice regarding the existence of outstanding copyright claims.

2. The Precedent Created By The Application Of Laches In This Case Would Discourage Voluntary Participation In The Registration System, Which Also Provides An Important Cultural Record And Helps Facilitate Commerce In Copyrighted Works

The system of copyright registration is important not only because it provides public notice of

¹⁷ U.S. Copyright Office, Library of Congress, *Circular 1: Copyright Basics* 4 (2012) [hereinafter *Circular 1*], available at <http://www.copyright.gov/circs/circ01.pdf>.

copyright claims, but because it serves other important functions as well. Thus, applying laches where a copyright claimant is engaged in timely registration of initial term and renewal claims would discourage voluntary participation in the contemporary registration system, which is instrumental in encouraging the development of a cultural and historical record.

The copyright card catalog contains approximately 45 million individual entries.¹⁸ A significant portion of the “literary, musical, artistic, and scientific production”¹⁹ of the United States is documented in these files, which includes, but is not limited to, registrations of initial term and renewal claims. These archive files are an extremely important resource for legal scholars and cultural historians, and are a unique adjunct to the main catalog of the Library of Congress. Together, they create a holistic record of cultural production in the United States and serve as an immensely valuable research tool. In particular, registration provides representative documentation of what people create and publish — and of when they do so. Tools provided by the Copyright Office provide researchers

¹⁸ U.S. Copyright Office, Library of Congress, *Circular 1a: United States Copyright Office: A Brief Introduction and History* [hereinafter *Circular 1a*], available at <http://www.copyright.gov/circs/circ1a.html>.

¹⁹ U.S. Copyright Office, Library of Congress, *Circular 23: The Copyright Card Catalog and the Online Files of the Copyright Office 1* (2012) [hereinafter *Circular 23*], available at <http://www.copyright.gov/circs/circ23.pdf>.

with “access to all information of the record relating to registrations, deposits, recorded assignments, and other documents.”²⁰ In addition, many deposit copies submitted in conjunction with copyright registration are either retained by the Copyright Office or find their way into the main collection of the Library of Congress, further strengthening the cultural record and the public’s access to it.

The archive of documentation over which the Copyright Office presides is critical to maintaining an accurate and representative record of American cultural production. Congress recognized that the records maintained in connection with claims of copyright directly “promote the Progress of Science and useful Arts,”²¹ and, to further that end, retained strong incentives to registration in the law.²²

Additionally, copyright registration helps to facilitate commerce. If works are not registered, potential users of these works may be discouraged from using them for fear of being sued by an unknown or unascertainable copyright owner.²³ Works whose authors are unknown are sometimes referred to as orphan works.²⁴ There are many works

²⁰ *Circular 1a*, *supra* note 18.

²¹ U.S. Const. art. I, § 8, cl. 8.

²² *See supra*, Part A.I.

²³ Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. § 3(b)(1)(A) (2008).

²⁴ U.S. Copyright Office, Library of Congress, *Report on Orphan Works* 1 (2006), available at <http://www.copyright.gov/orphan/orphan-report.pdf>.

that go unused because filmmakers, libraries, archives, museums, and publishers are afraid of being sued.²⁵ Promoting copyright registration can reduce such market failures by making information about copyright claims and their ownership easier to ascertain.²⁶

At a time of rising concern about the absence of reliable records of copyright ownership, it would be counterproductive to endorse a rule that fails to recognize and reward an author's compliance with registration formalities. Congress has consistently maintained strong support for the copyright registration system, and the courts should not undermine that policy by applying a laches bar to a rightsholder who (like her predecessor-in-interest) carefully complied with all the rules of the registration system.

²⁵ *Id.*

²⁶ Joshua O. Mausner, *Copyright Orphan Works: A Multi-Pronged Solution to Solve a Harmful Market Inefficiency*, 55 J. Copyright Soc'y U.S.A. 517, 521-23 (2008); Libby Smigel & Elizabeth Jackson, Dance Heritage Coalition, *Comments of the Dance Heritage Coalition in Response to the Copyright Office's Notice of Inquiry Concerning Orphan Works* 13 (2013), available [at http://www.copyright.gov/orphan/comments/noi_10222012/Dance-Heritage.pdf](http://www.copyright.gov/orphan/comments/noi_10222012/Dance-Heritage.pdf).

B. THE COPYRIGHT SYSTEM IS DESIGNED BY CONGRESS TO HELP SMALL RIGHTSHOLDERS MAINTAIN AND ENFORCE THEIR RIGHTS

“Authors” are the designated beneficiaries of the copyright legislation authorized by the Copyright Clause of the Constitution.²⁷ However, in practice, small rightsholders — i.e., individual authors and their successors — face many structural barriers to effective enforcement of their rights. Copyright litigation in federal court can be expensive and time-consuming, and, even where awards of statutory damages may be available, the amount is never guaranteed; the prospect of attorney’s fees awards remains within the discretion of the courts.²⁸ Rightsholders considering legal action may find it difficult to obtain competent counsel — which may become even more difficult with the added uncertainty of laches — to retain experts, or to engage fully in pre-trial discovery.²⁹ Many technical violations of copyright law may not be worth a rightsholder’s while to pursue through litigation, at least until they ripen into infringements of real economic significance. Thus, it is essential that the copyright system allow rightsholders significant and

²⁷ U.S. Const. art. I, § 8, cl. 8.

²⁸ 17 U.S.C. § 505 (2012).

²⁹ U.S. Copyright Office, Library of Congress, *Copyright Small Claims* 1-2 (2013), available at <http://www.copyright.gov/docs/smallclaims/usco-smallcopyrightclaims.pdf>.

meaningful discretion over when to make the large investment of money and time that litigation demands.³⁰

Over the course of the past century, Congress has made incremental changes in the law to benefit the author and reduce the chances that the author will lose copyright protection because of a failure to comply with a formal legal requirement – known as a formality. This objective is also embodied in two other reforms designed to relieve rightsholders of other burdensome or confusing obligations, and to improve their position in the marketplace: (1) the reform favoring reversion of rights to authors and their successors (including the reform of copyright renewal and the substitution of the “termination of transfer” mechanism); and (2) the institution of a uniform statute of limitations to ensure certainty in enforcement actions.

The courts have shared this objective. Many of the decisions of this Court in the past half-century have protected the rights of the individual author, including (in recent years) *Community for Creative Non-Violence v. Reid*³¹ and *New York Times Co. v.*

³⁰ Tim Wu, *Tolerated Use*, 31 Colum. J.L. & Arts 617, 619 (2008) (noting that there is a growing number of infringements in the digital age that authors do not pursue for reasons such as the high cost of litigation).

³¹ 490 U.S. 730 (1989) (holding that the organizations should only hold copyright under the “work for hire” doctrine if strict statutory requirements are met).

Tasini.³² No better example is available than this Court's decision in *Stewart v. Abend*,³³ on which Ms. Petrella relies for her claim against the Studios, and which is premised in part on the importance of protecting the rights of individual successors to renewal copyright ownership. However, in the face of a century of copyright reform designed to relieve small rightsholders from the risks associated with various "traps for the unwary," the Ninth Circuit has laid down a new trap in the form of the non-statutory doctrine of laches.

1. By Simplifying Technical Requirements, The Policy Of "Deformalization" Has Made It Easier For Small Rightsholders To Retain Their Rights

Over time, small copyright owners, especially individual authors and their families, have faced many barriers to the meaningful enforcement of their rights, and Congress has consistently shown solicitude toward their plight. For example, mandatory formalities such as notice and registration, as well as renewal, were a feature of the United States copyright system from its inception, and they frequently have served to deprive

³² 533 U.S. 583 (2001) (holding that newspapers may not authorize the reproduction of articles by freelance contributors in electronic compilations without explicit authorial consent).

³³ *Stewart*, 495 U.S. 207.

individual authors of their rights because of technical noncompliance.

The requirement of copyright notice is the paradigmatic example. Under the Copyright Act of 1909, copyright protection could be lost even if a single copy were published with an improper or defective notice.³⁴ The copyright revision studies undertaken in preparation for the Copyright Act of 1976 acknowledged the magnitude of this problem, stating that “an author is not a businessman and is not equipped to deal with complex formalities.”³⁵ This reasoning was explicitly cited in the legislative history of the Copyright Act of 1976 as one of the strongest justifications for reform, referring to the forfeitures as “arbitrary and unjust” and “resulting from unintentional or relatively unimportant omissions.”³⁶ The system that emerged from this reform was significantly more lenient, allowing for authors to maintain their rights if the work was registered and the errors or omissions cured within five years of publication.³⁷ This system has the dual effect of enabling more authors to maintain their

³⁴ See, e.g., *Krafft v. Cohen*, 117 F.2d 579 (3d Cir. 1941) (holding that a notice placed on the back page of a brochure is defective and divests copyright).

³⁵ Barbara Ringer et al., U.S. Copyright Office, Library of Congress, *Copyright Law Revision Study 7: Notice of Copyright* 46 (Comm. Print 1960).

³⁶ H.R. Rep. No. 94-1476, at 143 (1976).

³⁷ 17 U.S.C. § 405(a) (2012).

rights while incentivizing the use of the copyright registry, a central goal discussed above.³⁸

Registration itself used to be a significantly more onerous formality than it is today. Prior to the Copyright Act of 1909, failure to register one's copyright with the relevant authority before publication meant a complete loss of rights. Under the 1909 Act, however, registration was downgraded to a mere prerequisite to filing an infringement suit, largely due to the dissatisfaction of then-Register of Copyrights Thorvald Solberg with a system that punished non-compliance with "trifling obligations" by the loss of substantial rights.³⁹ The permissive system of registration established under the 1909 Act persists today, though Congress has established more inducements to registration in order to obtain the positive benefits of registration without the loss of substantial rights decried by Mr. Solberg.⁴⁰

In the course of considering the legislation that became the Copyright Act of 1976, Congress also identified the problems posed authors and their families by the requirement of timely application as a prerequisite to securing a renewal term of

³⁸ *Supra* Part A.

³⁹ Benjamin Kaplan, U.S. Copyright Office, Library of Congress, *Copyright Law Revision Study 17: Registration of Copyright* 15 (Comm. Print 1960).

⁴⁰ H.R. Rep. No. 94-1476, at 158; Jane Ginsburg, *The U.S. Experience With Mandatory Copyright Formalities: A Love/Hate Relationship*, 33 Colum. J.L. & Arts 311, 331 (2010).

copyright, noting, among other things, that renewal was so burdensome, technical, and complicated that it served to unjustly deprive authors of their copyrights without conferring a significant benefit to the public.⁴¹ Although renewal was removed with the 1976 Act with respect to works created after January 1, 1978 — a change that, according to then-Register of Copyrights Barbara Ringer, was “the foundation of the entire Act” — it was retained for works published before that date.⁴²

This policy towards lessening the burdens that renewal imposed on authors was again furthered by the 1992 Copyright Renewal Act, which made renewal of copyright automatic for those works still subsisting in the first term of copyright protection at the time of its enactment. Knowing that many authors and heirs were ignorant of the renewal requirement obligations and, as a consequence, lost significant sources of income, Congress made renewal automatic.⁴³ With Ms. Ringer, *amicus* as Register worked with Congress to get this pro-author measure enacted. Indeed, the House Report on the

⁴¹ H.R. Rep. No. 94-1476, at 134-35.

⁴² *Id.* at 133; see also *Copyright Law Revision: Hearing on H.R. 2223 Before the Subcomm. on Courts, Civil Liberties and the Admin. of Justice of the H. Comm on the Judiciary*, 94th Cong. 106 (1975) (statement of Barbara Ringer, Register of Copyrights, U.S. Copyright Office) (stating that the copyright system under the Copyright Act of 1909 treated authors very “shabbily,” and that as creators of works of economic value, authors should be better protected under the revised law).

⁴³ H.R. Rep. No. 102-379, pt. 1, at 10 (1991).

bill cited a Copyright Office study showing that the average renewal rate of eligible works for the three years prior to the amendment was less than 20 percent.⁴⁴

2. Reforms To The Copyright System Have Consistently Favored The Retention Of Rights By Authors And Their Heirs, Allowing Them To Derive Full Value From The Works

One reason cited for switching from a shorter, renewal-based copyright term to a longer, unitary copyright term was that it would allow authors and their families to derive more value from their works.⁴⁵ Additionally, the 1976 Act provided for retention of valuable rights by small rightsholders through codifying the principle that the bundle of rights comprising copyright was inherently divisible, permitting authors to assign away some rights while retaining others.⁴⁶ Congress recognized, however, that all grants of rights are potentially disadvantageous for authors, who lacked foresight or bargaining power when such agreements were negotiated.⁴⁷ Thus, the ability of authors to

⁴⁴ *Id.*

⁴⁵ H.R. Rep. No. 94-1476, at 134.

⁴⁶ *Id.* at 123.

⁴⁷ Barbara Ringer, U.S. Copyright Office, Library of Congress, *Copyright Law Revision Study 31: Renewal of Copyright* 189 (Comm. Print 1961) (noting that the opportunity for renewal is indeed beneficial to some authors and their

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recapture previously alienated rights was also a priority of Congress in passing the 1976 Act. In providing for new termination rights,⁴⁸ Congress cited the need to protect authors against “unremunerative transfers,” reasoning that because authors cannot know the value of their works before they are exposed to the marketplace, the law should provide them and their heirs a second bite at the apple.⁴⁹

For grants or licenses executed during the initial term of copyright in pre-1978 works, this Court had long interpreted explicit prospective grants of rights in renewal terms as being valid if the author was alive at the time of renewal.⁵⁰ This policy was in some respects less solicitous of authors’ interests than the one that informed the termination of transfer provisions enacted by Congress in 1976.⁵¹ However, when an author died before the expiration of the first copyright term, the opportunity to renew passed to the author’s statutory successor, who then has the right to assign the interest in that renewal

families, but is a remarkably inefficient and burdensome means of doing so).

⁴⁸ 17 U.S.C. §§ 203, 304(c) (2012).

⁴⁹ Ringer, *supra* note 47, at 124.

⁵⁰ *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943) (holding that an assignment of relating to the renewal term is binding even if made before the author has secured the renewal term).

⁵¹ *See generally* 17 U.S.C. § 203 (2012).

term as he or she saw fit.⁵² In other words, the protective policy of the statute, as interpreted by this Court, operated even more to the benefit of small authors' heirs and other survivors than it did to that of authors themselves.

A question then arose as to whether or not this policy would cut off unlicensed exploitation of derivative works prepared under pre-renewal grants, even when the renewal was claimed by a statutory successor, especially in light of the fact that Congress has provided for an exception in such circumstances in the 1976 legislation. This Court definitively resolved this question in *Stewart v. Abend*, holding that statutory successors possessing a renewal interest *were* entitled to object to the further use of such derivative works in the aftermath of renewal.⁵³ In so holding, this Court affirmed the nature of renewal as a new estate intended to benefit the author and their successors and stated that “[a]bsent an explicit statement of congressional intent . . . it is not our role to alter the delicate balance Congress has labored to achieve.”⁵⁴

⁵² *Miller Music Corp v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960) (holding that an assignment of renewal interests by an author who predeceased the vesting of the renewal term was not binding on statutory successors).

⁵³ *Stewart*, 495 U.S. at 235-36.

⁵⁴ *Id.* at 230.

3. By Providing A Statute Of Limitations, Congress Encourages Simplicity And Certainty In Enforcement, Making It Easier For Small Authors To Vindicate Their Rights

Section 507(b) of the Copyright Act, the application of which is involved in the present case, was carried over from previous legislation in 1957 when Congress amended Title 17 to include a three-year statute of limitations on civil copyright claims. Prior to this, federal courts derived principles for the limitation of actions from the laws of the various states, which were wildly divergent, ranging from one year in Alabama to eight years in Wyoming.⁵⁵ In passing the 1957 amendment, Congress was primarily focused on limiting forum shopping to prevent sophisticated litigants familiar with the court system from asserting an unfair advantage over smaller, less sophisticated parties.⁵⁶ Congress also cited the general increase in certainty that would result from a uniform federal statute of limitations in copyright cases.⁵⁷ Implicit in this legislative action was the recognition that a complex and unpredictable system of limitations would hurt small litigants, and that their otherwise valid claims would be lost as a result.

⁵⁵ S. Rep No. 85-1014, at 2 (1957).

⁵⁶ *Id.* at 4 (reprinting a letter from the Librarian of Congress, L. Quincy Mumford).

⁵⁷ *Id.*

In light of these concerns, it is ironic that the Ninth Circuit has reintroduced into the domain of limitations on civil actions for copyright infringement precisely the sort of indeterminacy that plagued the system prior to the congressional action of 1957.

C. THE APPLICATION OF LACHES WOULD CREATE UNINTENDED HARM TO RIGHTSHOLDERS AND TO THE COPYRIGHT SYSTEM IN GENERAL

Courts generally have been hesitant to apply laches where a plaintiff has sued within the time period expressly provided by the applicable statute of limitations.⁵⁸ Indeed, this Court has explicitly held that statutes of limitations are congressional value judgments concerning the point at which the “interests in favor of protecting valid claims are outweighed by the interests in prohibiting the prosecution of stale ones.”⁵⁹ For this Court to hold now that laches can be applied in the context of otherwise timely copyright infringement litigation would upset the balance in favor of users and

⁵⁸ See *United States v. Mack*, 295 U.S. 480, 489 (1935); *Martin v. Consultants & Adm’rs, Inc.*, 966 F.2d 1078, 1090 (7th Cir. 1992).

⁵⁹ *Johnson v. Ry. Express Agency, Inc.*, 421 U.S. 454, 463-64 (1975); see also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (“[I]t is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors . . .”).

infringers in ways that Congress did not intend. This would significantly undermine the general policy that allows copyright owners significant discretion about whether, when, how, and against whom to enforce their claims, assuming compliance with the three-year statute of limitations with respect to the enforcement of claims. The potential consequences would be far-reaching and severe.

1. The Application Of Laches Would Encourage Rightsholders To Flood The Courts With Premature Infringement Claims Rather Than Risking The Loss Of Their Rights

In general, the federal system favors the efficient use of judicial resources and disfavors the litigation of trivial matters.⁶⁰ While all rightsholders have the right to bring suit for all infringements of their works, they often tolerate some infringements because bringing a case would cost more than they could recover.⁶¹ The Library of Congress's Advisory Committee on Copyright Registration and Deposit acknowledged that, "[t]hough only a small percent of

⁶⁰ This court has routinely upheld this proposition in the context of the amount in controversy requirement for diversity jurisdiction. *See generally* 28 U.S.C. § 1332(a) (2012); *Snyder v. Harris*, 394 U.S. 332, 339-40 (1969); *Horton v. Liberty Mut. Ins. Co.*, 367 U.S. 348, 350-51 (1961).

⁶¹ Tim Wu, *supra* note 30, at 619.

registrations end up in court, they are the most important cases.”⁶²

The facts of this case demonstrate poignantly why rational small rightsholders sometimes may delay commencing infringement lawsuits, even though the result may be to forfeit some otherwise potentially available damages. In this era of rapid technological change, when new modes and media for the exploitation of existing content are constantly being developed, and sophisticated marketing enables rightsholders to resell the same content in different packages over time, copyright owners with limited resources must sometimes bide their time until it becomes apparent whether a new form of commercialization is substantial enough to justify a significant investment in litigation. The three-year statute of limitations, buttressed by the “separate accrual” rule, makes this sort of discretionary decision-making possible, as Congress intended.⁶³ If

⁶² Robert Wedgeworth & Barbara Ringer, Library of Congress, *Advisory Committee on Copyright Registration and Deposit: Report of the Co-Chairs* 16 (1993).

⁶³ See generally 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 12.05[B][1][b] (Matthew Bender, Rev. Ed. 2013); see also *Copyrights — Statute of Limitations: Hearing on H.R. 781 Before the Subcomm. No. 3 of the H. Comm. on the Judiciary*, 84th Cong. 48 (1955) (testimony of Fulton Brylawski) (“Every performance of every moving picture is a separate infringement — if they occurred three years ago. That would be barred in three years. But, the next time they showed it a new infringement would occur which would be actionable.”).

the Court were to apply laches, it would take this discretion away. Rightsholders would effectively sacrifice their rights against a particular infringer if they did not file suit immediately.⁶⁴

The Ninth Circuit's application of the principle of laches creates a cruel Hobson's Choice for small copyright owners — either commit to litigation before a economic justification to do so is clear, or risk losing all future rights. It is no answer to suggest that a rightsholder could avoid the application of laches by threatening litigation in the knowledge that, if challenged, they would not be required to proceed: first, such threats are unlikely to be effective, as a practical matter, unless backed up by a genuine willingness to sue;⁶⁵ and, second, meaningful threats of litigation may prompt users to force litigation by relying on the Declaratory Judgment Act.⁶⁶ Moreover, because laches is a

⁶⁴ *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 953 (9th Cir. 2001) (“[l]aches is based on the plaintiff’s delay in beginning litigation, not on the information a defendant has regarding a claim.”).

⁶⁵ “A mere objection of protest, or a mere threat to take legal proceedings, is not sufficient to exclude the consequences of laches or acquiescence.” *Waller v. Golden*, 706 S.E.2d 403, 406 (Ga. 2011) (quoting *Holt v. Parsons*, 45 S.E. 690, 692 (1903)).

⁶⁶ 28 U.S.C. § 2201 (2006). See also *ABB Inc. v. Cooper Indus., LLC*, 635 F.3d 1345, 1348 (Fed. Cir. 2011); *Shloss v. Sweeney*, 515 F. Supp. 2d 1068, 1076-77 (N.D. Cal. 2007) (citation omitted) (“an ‘actual threat of litigation’ by the putative rights-holder is not necessary for a case or controversy to exist”).

situational equitable doctrine, no rightsholder could ever be sure in advance what level of contact with a user might be sufficient to dispel the shadow of laches; they could be sure only that, at least in the Ninth Circuit, Ms. Petrella's efforts to negotiate with the Studios were not deemed sufficient for that purposes.

Thus, if the Ninth's Circuit's rule were to stand, and laches were to be made generally applicable in copyright disputes despite the existence of an express statute of limitations, the inevitable result would be to encourage rightsholders to file infringement actions as soon as they became aware of any party engaged in arguably infringing conduct. This would open the floodgates to lawsuits that otherwise would not have been brought, and encourage an upsurge in so-called "junk litigation." This result, in turn, would be contrary to the general and salutary preference for extrajudicial dispute resolution.⁶⁷

2. The Application Of Laches Would Create Unintended Adverse Consequences And Generate Perverse Incentives Within The Copyright System

Applying a "use it or lose it" principle to copyright would have other damaging consequences for the

⁶⁷ *Piper Aircraft Corp. v. Wag-Aero, Inc.*, 741 F.2d 925, 932 (7th Cir. 1984).

copyright system. Thus, for example, it seems likely that, in an environment where rightsholders, corporations as well as individual authors, would risk giving up claims altogether by tolerating unauthorized uses of material in which they claim rights, more copyright owners would be motivated to move against good-faith users who are engaged in arguably infringing uses, but potentially privileged unauthorized uses, such as fair use. This, in turn, could produce disincentives to engage in such socially productive uses in the first instance.⁶⁸ Such an outcome would be unfortunate in light of the general policies of copyright law, as this Court has articulated them: “[b]ecause copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible.”⁶⁹

As noted above, one consequence of the Ninth’s Circuit’s rule would be to encourage unnecessary litigation and, with it, the use of the scarce resources of individual authors and their families.⁷⁰ That said, this class of rightsholders will never have the necessary resources to pursue every possible claim. Even as copyright law stands today, without the injection of the doctrine of laches as an overlay on

⁶⁸ See, e.g., Patricia Aufderheide & Peter Jaszi, *Reclaiming Fair Use* 94-98 (2011) (explaining how documentary filmmakers experienced chilling effects with respect to fair use).

⁶⁹ See *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994).

⁷⁰ *Supra* Part C.1.

the statute of limitations, many small rightsholders struggle to police infringements adequately.⁷¹ Inevitably, the superimposition of laches would place an additional burden on rightsholders, who would have to struggle to prove that defendants were not unduly prejudiced by whatever enforcement delays may have occurred in the normal course.

Under such circumstances, it could be anticipated that bad actors aware of the high costs and burdens involved in this sort of litigation, would be encouraged to risk infringing the works of small independent creators. They would hope to take advantage of these rightsholders' limited knowledge and resources, and to rely further on the shield that a laches defense would afford if and when litigation ensued, along with the difficulties that rebutting the defense would pose for litigants of limited means. For rightsholders thus burdened, the protections afforded by the Copyright Act would become effectively meaningless.

⁷¹ Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 Stan. L. Rev. 1345, 1376-77 (2004) (noting that policing all instances of copyright infringement in the digital age could bankrupt even corporate rightsholders).

CONCLUSION

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

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