



**Petrella v. Metro-Goldwyn-Mayer, Inc. 695 F.3D 946 (9TH CIR.
2012)**

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PETRELLA V. METRO-GOLDWYN-MAYER, INC.

695 F.3D 946 (9TH CIR. 2012)

I. INTRODUCTION

In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, Paula Petrella (“Petrella”) appealed a grant of summary judgment against her copyright infringement claim related to two screenplays and a book that formed the basis for the 1980 film “Raging Bull.”¹ Petrella sought relief for damages incurred during the three-year statute of limitations period from 2006 to 2009, and also injunctive relief for any future acts of infringement.² The federal court decided that these claims were barred by the defense of laches, which prevents a plaintiff who “with full knowledge of the facts, acquiesces in a transaction and sleeps on his rights.”³

When the United States Supreme Court handed down its decision in *Stewart v. Abend* in 1991, Petrella was able to successfully renew her father’s copyright interest in the screenplay, which he helped author with boxer Jake LaMotta.⁴ Petrella waited 18 years after this renewal to sue the defendant film production company Metro-Goldwyn Mayer, Inc. (“MGM”) for copyright infringement.⁵ The Court of Appeals for the Ninth Circuit affirmed the district court’s decision to grant defendant MGM’s motion for summary judgment.⁶

II. BACKGROUND

Beginning in 1976, Frank Peter Petrella, father of the appellant,

1. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 695 F.3d 946, 949 (9th Cir. 2012).

2. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 2013 WL 6141396, 30 (Nov. 15, 2013).

3. *Petrella*, 695 F.3d at 951 (citing *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 950-51 (9th Cir. 2001)).

4. *Stewart v. Abend*, 495 U.S. 207 (1990).

5. *Petrella*, 695 F.3d at 952.

6. *Id.* at 951.

and Jake LaMotta assigned to Chartoff-Winkler Productions, Inc. their copyright interests in two screenplays and a book about LaMotta's life as a professional boxer.⁷ While it is disputed which of these three was actually authored first, the United States Copyright Office registered the following: a screenplay in 1963, which lists Frank Petrella as the sole author and claimant with a collaboration reference on the title page to Jake LaMotta; a book in 1970, which lists Petrella, LaMotta, and Joseph Carter as co-authors; and another screenplay in 1973 listing Petrella as the sole author.⁸ All three copyrights were for a term of 28 years.⁹ Then in 1978, Chartoff-Winkler sold the movie rights to United Artists, a subsidiary of MGM, which in turn registered a copyright for a new film, *Raging Bull* in 1980.¹⁰

The movie *Raging Bull*, starring Robert De Niro and directed by Martin Scorsese, was released in late December 1980.¹¹ The biographical film paints a less than flattering picture of LaMotta's life but was critically a big success, winning two Academy Awards (including Best Actor for De Niro's portrayal of LaMotta) and getting nominated for six others.¹² The movie did not do as well at the box office, generating only \$23 million domestically on a budget of \$18 million.¹³ Shortly after the release of the film in 1981, Frank Petrella died and the interest in the screenplays and book passed to his daughter Paula.¹⁴

Not until 1990, when the Supreme Court handed down its decision in *Abend*, did Paula, Frank Petrella's daughter, have an opportunity to renew her father's copyright interest in the 1963

7. *Id.* at 950.

8. *Id.* at 949.

9. *Id.* at 950.

10. *Id.*

11. RAGING BULL (United Artists 1980), available at <http://www.imdb.com/title/tt0081398>.

12. *Id.* *Raging Bull* follows the story of "an emotionally self-destructive boxer's journey through life, as the violence and temper that leads him to the top in the ring, destroys his life outside it." *Id.* The film won two Academy Awards, including Best Actor in a Leading Role for Robert DeNiro's portrayal of LaMotta. *Id.*

13. *Id.*

14. *Petrella*, 695 F.3d at 950.

screenplay.¹⁵ In *Abend*, the Supreme Court held that when an author dies during the life of the original copyright and before getting a chance to renew, the author's statutory successors are entitled to renewal rights *even when the author has previously assigned the rights to another party*.¹⁶ Paula immediately acquired representation to assist her in filing for a renewal of her rights to the 1963 screenplay.¹⁷

In 1998, seven years after the *Abend* decision, Petrella's lawyer contacted MGM stating that Petrella's rights in the screenplay had been renewed and that Raging Bull, as a derivative work, infringed her rights.¹⁸ Although the derivative work was prepared lawfully under the terms of the original assignment, once the assignor's heir revokes those rights, the work cannot continue to be exploited without a new assignment.¹⁹ Petrella's counsel sent MGM several cease and desist letters between 1998 and 2000.²⁰ After a final letter on April 5, 2000, Petrella went silent until the filing of the lawsuit at issue in this case in 2009.²¹

III. THE DEFENSE OF LACHES

MGM secured a summary judgment motion in district court, arguing that Petrella's claim was barred by the equitable defense of laches.²² A successful laches defense requires that the defendant show that the plaintiff delayed in initiating the lawsuit, that the delay was unreasonable, and that the delay resulted in prejudice to the defendant.²³ On appeal, Petrella argued that the long filing delay (18 years) was reasonable because of her mother and

15. *Id.*

16. *Abend*, 495 U.S. at 219.

17. *Petrella*, 695 F.3d at 950.

18. *Id.*

19. *Abend*, 495 U.S. at 221. ("Therefore, if the author dies before the renewal period, then the assignee may continue to use the original work only if the author's successor transfers the renewal rights to the assignee.").

20. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 2013 WL 6141396, 57 (Nov. 15, 2013).

21. *Petrella*, 695 F.3d at 952.

22. *Id.* at 951.

23. *Id.* at 951-52.

brother's health problems and the fear of retaliation from MGM.²⁴ Petrella also argued that the delay did not prejudice MGM because they reaped a large profit from the movie during the delay.²⁵ It was undisputed that Petrella was aware of her potential claims since 1991 and that the 18 years that elapsed constituted a delay for the purposes of the first element of the laches defense.²⁶

A. Reasonableness of the Delay

A delay is reasonable in a copyright suit “when it is necessitated by the exhaustion of remedies . . . when it is used to evaluate and prepare a complicated claim and when its purpose is to determine whether the scope of the proposed infringement justifies the cost of litigation.”²⁷ Delay is not reasonable “when the purpose is to capitalize on the alleged infringer’s labor, by determining whether the infringer’s conduct will be profitable.”²⁸

In determining the reasonableness of Petrella’s delay, the court split the delay into two parts: the first from 1991, when Petrella discovered her renewal rights, to 1998 when her lawyer contacted MGM, and the second from 1998 to 2009 when Petrella finally filed her lawsuit.²⁹ As to the first part from 1991 to 1998, Petrella revealed through her testimony that the reason she did not make the defendants aware of her claims was because the film was “in the red and would probably never recoup,” and because she didn’t realize there was a time limit on filing a claim.³⁰ As to the second part from 1998 to 2009, Petrella gave three reasons for not filing a claim including (1) her brother’s disability and her mother’s illness, (2) her mother’s fear of retaliation from MGM, and (3) her family’s inability to afford a lawsuit.³¹

24. *Id.*

25. *Id.* at 952.

26. *Id.* (“As the district court found, it is ‘[u]ndisputed that [Petrella] was aware of her potential claims (as was MGM) since 1991.’”).

27. *Id.*

28. *Petrella*, 695 F.3d at 952.

29. *Id.* “There are two relevant periods of delay . . .”

30. *Id.*

31. *Id.*

The court determined that her brother and mother's health situation was an inadequate explanation for an 18-year delay.³² She was clearly consulting with attorneys regarding her renewal rights during this period.³³ The court also noted that in general, inability to afford a lawsuit does not make a long delay reasonable.³⁴

Ultimately, the court determined that the real reason Petrella filed the claim so late was that "the film hadn't made any money."³⁵ The court construed Petrella's conduct as unreasonable because she was trying to capitalize on the labor of the infringer and waiting to see if MGM's conduct would be profitable before filing suit.³⁶ Therefore, the court found the plaintiff's conduct constituted an unreasonable delay.³⁷

B. Prejudice

Laches requires a showing that the defendant was prejudiced by the plaintiff's unreasonable delay.³⁸ The longer the delay, the more likely it is that a court will find prejudice.³⁹ There are two relevant categories of prejudice: expectations-based prejudice and evidentiary prejudice.⁴⁰ Expectations-based prejudice occurs when a defendant suffers consequences that would not have occurred had the suit been filed in a timely manner.⁴¹ Evidentiary prejudice occurs when necessary physical evidence or witness testimony is lost to time.⁴² The court found that the defendants suffered expectations-based prejudice.⁴³ Therefore, the court did not need to address evidentiary prejudice.⁴⁴

32. *Id.* at 952-53.

33. *Id.* at 953.

34. *Id.*

35. *Petrella*, 695 F.3d at 953.

36. *Id.*

37. *Id.*

38. *Id.*

39. *Id.*

40. *Id.*

41. *Petrella*, 695 F.3d at 953.

42. *Id.*

43. *Petrella*, 695 F.3d at 953.

To demonstrate expectations-based prejudice the defendant must show that during the delay he invested money to expand the business or entered into other business transactions based on the belief that he owned a valid copyright.⁴⁵ Prejudice may exist if a defendant entered into business transactions or incurred liability for damages because of a belief of presumed rights.⁴⁶

The court found that there was sufficient evidence that the delay was prejudicial to MGM because of the money, time, and effort invested in the movie for 18 years.⁴⁷ Since 1991, MGM had distributed and marketed Raging Bull extensively in the United States and abroad, resulting in an estimated cost to MGM of approximately \$8.5 million dollars in the United States alone.⁴⁸ Additionally, the defendants spent \$3 million to distribute the 25th anniversary DVD edition of the movie and incurred \$100,000 in costs to convert the original film to Blu-Ray format.⁴⁹ Defendants also entered into television licensing contracts with television companies, some of which would not expire until 2015, creating potential future liability.⁵⁰ If Ms. Petrella had timely filed suit in either 1991 or 1998, MGM would have been able to litigate the matter and save themselves significant expenses.⁵¹

Finally, the court compares the case to *Jackson v. Axton*, where a defendant successfully proved expectations-based prejudice for use of the song “Joy to the World.”⁵² The defendant in the case “arranged his business affairs around the Song, promoted the Song

The two primary forms of prejudice in the laches context are *expectations based prejudice*, which exists where a defendant ‘took actions or suffered consequences that it would not have, had the plaintiff brought suit promptly;’ and *evidentiary prejudice*, which exists where there are ‘such things as lost, stale, or degraded evidence, or witnesses whose memories have faded or who have died.’

Id. (quoting *Danjaq*, 263 F.3d at 955) (emphasis in original).

44. *Id.*

45. *Id.*

46. *Id.*

47. *Id.*

48. *Id.* at 953-54.

49. *Petrella*, 695 F.3d at 953.

50. *Id.* at 954.

51. *Id.*

52. *Id.*

as his own, licensed the Song many times to third parties, and sold the Song [N]umerous business transactions ha[d] been made in reliance on [the defendant's] sole ownership of the Song."⁵³ This evidence was sufficient for a finding of prejudice.⁵⁴

1. Grand Canyon Trust v. Tucson Electric Power Co. *Comparison*

The court was careful to distinguish *Jackson* and the case at bar from a Ninth Circuit decision, *Grand Canyon Trust v. Tucson Electric Power Co.*, where the court denied a laches defense for lack of expectations based prejudice.⁵⁵ The case involved the validity of a building permit after the 1977 enactment of the Clean Air Act.⁵⁶ An environmental non-profit organization, Grand Canyon Trust, sued a power company, Tucson Electric, nearly 20 years after the power company had constructed two coal-powered generators whose permits were in violation of the Clean Air Act.⁵⁷ Tucson Electric argued that replacing the generators would cost \$300 million and that they suffered expectations based prejudice.⁵⁸ However, the court found that the delay permitted Tucson to operate the two generators in violation of the law for over 20 years, allowing the company to reap a significant profit.⁵⁹

In the case at hand, MGM was making money as a result of independent business decisions based on the belief that they owned a valid copyright.⁶⁰ Even if the court found that MGM infringed Petrella's copyright, the profits that are attributable to MGM's promotion and distribution of the film will wind up in Petrella's pocket.⁶¹ The court concluded that this type of situation is "the essence of expectations based prejudice."⁶² In contrast, Tucson

53. *Id.* (quoting *Jackson v. Axton*, 25 F.3d 884, 889-90 (9th Cir. 1994)).

54. *Id.*

55. *Petrella*, 695 F.3d at 955; *see generally* *Grand Canyon Trust v. Tucson Electric Power Co.*, 391 F.3d 979 (9th Cir. 2004).

56. *Grand Canyon Trust*, 391 F.3d at 982.

57. *Id.*

58. *Id.* at 988.

59. *Id.* at 988-89.

60. *Petrella*, 695 F.3d at 955.

61. *Id.*

62. *Id.*

Electric finished building its two generators in 1985 and 1990 and was able to continue operating them because the suit was delayed until 2004.⁶³ If the suit had been brought before 1990 there might have been expectations based prejudice because Tucson Electric would have spent \$300 million on two new generators that had not made any money.⁶⁴ Instead, Tucson profited from the delay for 20 years.⁶⁵ Therefore, Tucson Electric, unlike MGM, did not suffer expectations based prejudice.⁶⁶

IV. UNJUST ENRICHMENT AND ACCOUNTING

Petrella also brought claims for unjust enrichment and accounting.⁶⁷ She argued that had the defendants been co-owners instead of infringers, they would have owed an ongoing duty to pay Petrella any money that was derived through exploiting the screenplay and its derivatives.⁶⁸ The court ruled that because unjust enrichment is an equitable remedy and laches is an equitable defense, laches also bars her unjust enrichment claim.⁶⁹

V. SANCTIONS AND ATTORNEY'S FEES

After the district court granted summary judgment to the defendants, defendants sought sanctions and attorney's fees against Petrella.⁷⁰ The court found that the district court's denial of both motions was not an abuse of discretion.⁷¹

Rule 11 sanctions are applied when a filing is frivolous, legally unreasonable, without factual foundation, or brought for an improper purpose.⁷² It is not a violation of Rule 11 if an attorney

63. *Grand Canyon Trust*, 391 F.3d at 988-89.

64. *Id.*

65. *Id.*

66. *Id.*

67. *Petrella*, 695 F.3d at 956.

68. *Id.*

69. *Id.*

70. *Id.* at 956.

71. *Id.* at 957.

72. *Id.* (citing *Simpson v. Lear Astronics Corp.*, 77 F.3d 1170, 1177 (9th Cir. 1996)).

files suit where there is an applicable affirmative defense, *so long as there is a colorable argument against the affirmative defense.*⁷³ Petrella had a colorable argument because laches is an equitable defense with several parts, and she thought that she could prevail on at least one of the factors.⁷⁴ Also, the case was less clear than other decisions in the past that involved laches.⁷⁵ The appellate court agreed with the district court that denial of sanctions was appropriate.⁷⁶

Under § 505 of the Copyright Act, a district court has broad discretion in determining whether to assign opposing party's attorney's fees in a particular case.⁷⁷ To overcome the district's court decision to deny attorney's fees, there must have been an inaccurate view of the law or a clearly erroneous finding of fact.⁷⁸ Because Petrella's claims were barred by laches, and not because of the inadequacy of her copyright claims, the district court believed that it would be inappropriate to impose attorney's fees on Petrella.⁷⁹ In addition, the court offered a policy argument that awarding attorney's fees would deter future copyright holders that might have valid copyright claims.⁸⁰ The evidence otherwise shows no improper motive by Petrella, and the appellate court affirmed the denial of attorney's fees as well.⁸¹

VI. CONCURRENCE

The concurrence agreed that the majority "faithfully applie[d]" the doctrine of laches under Ninth Circuit law, but disagreed that laches should be an option for potential copyright infringers.⁸² Judge Fletcher noted that the Ninth Circuit "is the most hostile to

73. *Petrella*, 695 F.3d at 957.

74. *Id.*

75. *Id.*

76. *Id.*

77. 17 U.S.C. § 505 (2014).

78. *Petrella*, 695 F.3d at 957 (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994)).

79. *Id.*

80. *Id.*

81. *Id.*

82. *Id.* at 958.

copyright owners of all the circuits.”⁸³ In the Fourth Circuit, laches is not available as a defense at all; in the Eleventh Circuit there is a strong presumption that a plaintiff’s suit is timely if it is filed before the statute of limitations; and in the Sixth Circuit, laches is available only under extraordinary circumstances.⁸⁴

The concurrence pointed out that the laches defense for copyrights is not provided for in the original 1909 Copyright Act.⁸⁵ It is “entirely a judicial creation.”⁸⁶ Judge Learned Hand’s opinion in *Haas v. Leo Feist Inc.*, in particular, is used by the majority to justify the application of laches:

If the defendant be a deliberate pirate, [a prejudice determination] might be irrelevant . . . ; but it is no answer to such inequitable conduct, if the defendant Feist is innocent, to say that its innocence alone will not protect it. It is not [the infringer’s] innocence, but the plaintiff’s availing himself of that innocence to build up a success at no risk of his own, which a court of equity should regard.⁸⁷

Judge Fletcher pointed out that this quote is actually describing equitable estoppel, not laches.⁸⁸ The difference between laches and estoppel in copyright cases is that laches is actually less demanding for the infringer to prove.⁸⁹ Laches is allowed for any infringer so long as he is not a “willful infringer” and has invested money in the copyright, whether he makes a profit based on the delay or not.⁹⁰ The defendant also needs to prove that the plaintiff had constructive knowledge of the infringement, as opposed to actual knowledge.⁹¹

83. *Id.*

84. *Petrella*, 695 F.3d at 958.

85. *Id.*

86. *Id.*

87. *Id.* at 959 (quoting *Haas v. Leo Feist, Inc.*, 234 F. 105, 108 (S.D.N.Y.1916)).

88. *Petrella*, 695 F.3d at 959.

89. *Id.*

90. *Id.*

91. *Id.*

Judge Fletcher distinguished laches and estoppel to show that the laches defense works to the detriment of valid copyright holders.⁹² He closes the argument by warning that the court should provide better protection to copyright holders with valid infringement claims, like Petrella, who filed suit only for damages within the applicable three-year statute of limitations.⁹³ This requires a re-examination of the difference between equitable estoppel and laches and when the defenses may be appropriately used.⁹⁴

VII. FUTURE IMPLICATIONS

The issue that needs to be decided by the Supreme Court is whether laches can be applied without restriction in copyright infringement cases. Technically, Petrella filed timely within the statute of limitations because she seeks damages for the period from 2006 to 2009.⁹⁵ Laches however, operates as a total bar to both her claim for damages and her claim for injunctive relief, and this fundamentally affects Petrella's substantive right to renew her father's copyright and take action against infringers.⁹⁶

Laches gives a tactical advantage to the infringer and disadvantages the copyright holder, as Fletcher's concurrence suggests.⁹⁷ In future cases, courts may dismiss an infringement claim that has caused "harm" to the infringer through the delay, even if the delay is only two or three days removed from the three year limitations period.⁹⁸ In cases where laches is used, Courts

92. *Id.* at 958. The court explained that "[o]ur circuit is the most hostile to copyright owners of all the circuits." *Id.*

93. *Id.* at 959.

94. *Petrella*, 695 F.3d at 959. "We should revisit our case law to provide appropriate protection to innocent copyright owners who have brought infringement suits within the statute of limitations. A recognition of the distinction between equitable estoppel and laches would be a good place to start." *Id.*

95. Transcript of Oral Argument at 14, *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 2014 WL 221232 (2014) (No. 12-1315).

96. Transcript of Oral Argument, *supra* note 95, at 9.

97. *Petrella*, 695 F.3d at 958.

98. Transcript of Oral Argument, *supra* note 95, at 39.

will focus their analysis entirely on the delay, and dismiss cases without analyzing the actual infringement itself. This problem is compounded by the fact that infringer's only need to prove that the copyright holder had constructive as opposed to actual knowledge of the infringement. This means that there is a lower evidentiary threshold for proving that the copyright holder was intentionally delaying its lawsuit.

The Ninth Circuit in *Petrella* does not clearly define what would be a reasonable excuse for delay, thus further disadvantaging the copyright holder. Delay is both permissible if used "to determine whether the scope of the proposed infringement will justify the *cost of litigation*," and not permissible when used to capitalize "on the value of the alleged infringer's labor, by determining whether the infringing conduct will be *profitable*."⁹⁹ The court is trying to distinguish between copyright holders that are waiting in the wings for their targeted infringer to make money and holders that are doing an honest calculation of whether the claim is worth suing for. This will be a difficult determination for courts to make and, more importantly, will make it harder for copyright holders looking to prove the legitimacy of their delay.

In *Petrella*'s case, she admitted to waiting to sue because "the film hadn't made money" and that excuse is not reasonable and clearly prejudices the defendant.¹⁰⁰ However, future cases may provide less guidance in determining the copyright owner's intentions. Inquiry into the intention of the copyright holder is not only difficult, but it detracts from the true purpose of a copyright claim: to stop unreasonable use of a copyright holder's intellectual property. The threshold for dismissing a claim of copyright infringement should be higher, and perhaps laches should be eliminated as a defense for copyright infringement altogether.

Laches has been used sparingly, if at all, in other jurisdictions to dismiss copyright infringement actions. As Judge Fletcher points out, in the Fourth Circuit, laches is not available as a defense against copyright infringement at all.¹⁰¹ Estoppel, "the equitable

99. *Petrella*, 695 F.3d at 953 (quoting *Danjaq*, 263 F.3d at 954-55) (emphasis added).

100. *Id.*

101. *Petrella*, 695 F.3d at 958.

cousin” of laches, has a higher standard of proof but serves the same end as laches.¹⁰² Innocent infringers looking to dismiss frivolous claims against their works could look to estoppel as a suitable alternative to laches.

VIII. CONCLUSION

Petrella v. MGM held that Petrella’s copyright infringement claim for the screenplay “Raging Bull” was barred by laches.¹⁰³ The Ninth Circuit affirmed the District Court’s grant of summary judgment in favor of the defendants, MGM.¹⁰⁴ The 18 year delay by the plaintiff unreasonably prejudiced the defendant, who had marketed and licensed “Raging Bull” extensively during those 18 years.¹⁰⁵ This holding may disadvantage copyright holders in the Ninth Circuit. Infringers that use the laches defense will focus the court’s attention on the delay, not the substance, of the copyright infringement claim. The Supreme Court should clarify if such a doctrine should be an option for infringers faced with a copyright infringement suit.

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102. *Id.* at 959.

103. *Id.* at 956.

104. *Id.* at 957.

105. *Id.* at 953-54.

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