WESTERN NEW YORK
THE DAILY RECORD
Part of the BridgeTower Media network
APRIL 15, 2024

Supreme Court set to decide on copyright's discovery rule | IP Frontiers

THOMAS SICA SPECIAL TO THE DAILY RECORD


Thomas Sica

"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). The above quote is the statute of limitations for copyright claims in the United States. While this seems straightforward, there has been a significant amount of case law over this one-sentence statute. Most notably, when does a copyright claim accrue? Does a copyright claim accrue when the infringement occurs, or is it when the copyright owner learns of the infringement?

This confusion led to courts adopting two separate principles for the copyright statute of limitations: the "injury rule" and the "discovery rule." Under the injury rule, a copyright claim accrues as of the date that the infringing party unlawfully infringes upon the copyrighted work. Under the discovery rule, a copyright claim accrues as of the date when the copyright owner knew or should reasonably have known of the infringing activity. As such, the discovery rule gives copyright plaintiffs more leeway in bringing their claims than the injury rule.

Prior to 2014, most Federal circuit courts in the United States had adopted some form of the discovery rule either for all copyright claims or for copyright claims under certain circumstances. The Supreme Court threw a wrench into this in 2014 in deciding the case of *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663 (2014). In *Petrella*, the Court further held that "an infringement is actionable within three years, and only three years, of its occurrence. And the infringer is insulated from liability for earlier infringements of the same work." Despite this holding, the Supreme Court did not take a definitive stance on the discovery vs. injury rule. The *Petrella* case was decided pursuant to the injury rule, but the Court acknowledged in a footnote that "[a]lthough we have not passed on the question, nine Courts of Appeals have adopted, as an alternative to the incident of injury rule, a 'discovery' rule." So, even though the Supreme Court made a blanket holding that infringements were actionable only three years from its "occurrence," they still allowed the discovery rule to exist.

This led to more confusion from the circuit courts. As an example, the two largest circuit courts for copyright cases, the 2nd Circuit and the 9th Circuit, applied the Petrella holding differently as to cases involving the discovery rule. In particular, the 2nd Circuit, in the case of *Sohm v. Scholastic Inc.*, 959 F.3d 39 (2d Cir. 2020), applied *Petrella's* three-year damages provision to all copyright cases, including those under the discovery rule. This could potentially lead to a situation where a copyright owner brings a timely claim as it was brought within three-years of discovery, but has no claim for damages, where all damages were incurred more than three years from the date of filing. In contrast, the 9th Circuit, understanding this potential problem, held that *Petrella's* three-year bar on damages only applied to cases involving the injury rule in *Starz Ent., LLC v. MGM Domestic Television Distribution, LLC*, 39 F.4th 1236 (9th Cir. 2022). In cases involving the discovery rule, all damages for all infringing acts could be awarded so long as the case was filed within three years of discovery.

Now, the Supreme Court looks set to weigh in on this debate again, and this time is not passing on the propriety of the discovery rule. On September 29, 2023, the Supreme Court granted certiorari for the case of *Nealy v. Warner Chappell Music, Inc.*, 60 F.4th 1325 (11th Cir. 2023) and is set to determine "Whether, under the discovery accrual rule applied by the circuit courts and the Copyright Act's statute of limitations for civil actions, 17 U.S.C. §507(b), a copyright plaintiff can recover damages for acts that allegedly occurred more than three years before the filing of a lawsuit." In the *Nealy* case, the infringing activity began in 2008, but the plaintiff, due to the fact that he was serving prison time, was unaware of the infringement until 2016 and filed suit in 2018. The 11th Circuit, following the example of the 9th Circuit, allowed damages for the plaintiff dating back to 2008.

The Supreme Court set the *Nealy* case for its current term but may have made any decision on it moot based upon a case that they are hearing in the next term. On November 2, 2023, the Supreme Court granted certiorari in the case of *Martinelli v. Hearst Newspapers, L.L.C.*, 65 F.4th 231 (5th Cir. 2023). There the Supreme Court is looking to answer a much broader question: "Whether the 'discovery rule' applies to the Copyright Act's statute of limitations for civil claims. 17 U.S.C. 507(b)." In the *Martinelli* case, the infringing activity began on March 7, 2017, it was discovered by the plaintiff on November 17, 2018, and the lawsuit was filed on October 18, 2021. Thus, the case was timely under the discovery rule, but not under the injury rule. The Supreme Court now wants to make a determination on whether the discovery rule should ever apply to copyright cases. Oral argument for the *Nealy* case occurred in February 2024, but the Justices' comments during argument make clear that *Martinelli* is on their mind. It is possible that the Court steps around the *Nealy* case because they know the broader question is coming. And, in doing so, the Supreme Court may look to scrap the discovery rule entirely. While that would put a larger burden on copyright plaintiffs, it would also create a more uniform statute of limitations for copyright actions than currently exists.

We await the Court's decision.

Thomas Sica is an associate with the law firm of Heslin Rothenberg Farley & Mesiti P.C. His experience includes litigation work, trademark prosecution, and general IP counseling. He can be reached at (518) 452-5600 or thomas.sica@hrfmlaw.com.