The University of Cincinnati Intellectual Property and Computer Law Journal

Volume 9 | Issue 2 Article 8

June 2024

Damage(s) Control: An Examination of How the Supreme Court Still Has Not Decided if the Discovery Rule or the Injury Rule Applies to Copyright Infringement Damages

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DAMAGE(S) CONTROL: AN EXAMINATION OF HOW THE SUPREME COURT STILL HAS NOT DECIDED IF THE DISCOVERY RULE OR THE INJURY RULE APPLIES TO COPYRIGHT INFRINGEMENT DAMAGES

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I. INTRODUCTION

"There are consequences to your actions." Many people heard this saying–some may call it a warning–in their formative years. Of course, the exact consequences suffered depend on numerous variables like the act itself, the harm caused, and how long the harm occurred. Copyright infringers face a very expensive consequence: monetary damages.[1] However, it's unclear for how long copyright infringers can be held liable for damages. guidance

The Copyright Act of 1976 allows a copyright holder to recover actual damages and any profits the copyright infringer acquired due to the infringement.[2] However, the United States' Second, Ninth, and Eleventh Circuit Courts disagreed over whether there is a limit on how many years a copyright holder can claim damages for a copyright infringement claim in a civil lawsuit. Does the three-year SOL for filing claims of copyright infringement stated in the Copyright Act also apply to recover damages? Or may damages be collected back to when the infringement first occurred? A circuit split creates a danger that plaintiffs may bring a claim in whichever court they believe is more favorable to their claim, also known as forum shopping.[3] This practice is not ideal since it often creates an unfair advantage for plaintiffs. The U.S. Supreme Court had multiple opportunities to decide how to determine if a copyright infringement claim is filed in a timely manner by using either the discovery rule or injury rule and if damages for copyright holders may be limited by when the infringement occurred. Instead, the Supreme Court opted to rule narrowly on the issues presented by only deciding if damages are limited depending on whether the injury rule or the discovery rule is applied in two important cases later discussed: *Petrella v. MGM* and *Warner*

* Executive Editor, 2024-2025, Associate Member, 2023-2024, *University of Cincinnati Intellectual Property and Computer Law Journal*. I want to thank every editor on IPCLJ for their advice and support in crafting this work. I would also like to thank my family and friends for helping me get through this process. Without your support, this process would have been much more painful.

1. 5 NIMMER ON COPYRIGHT § 14.01 (2023).
2. *Id.*
3. *Forum shopping*, LEGAL INFORMATION INSTITUTE, https://www.law.cornell.edu/wex/forum_shopping (last visited Feb 22, 2024).

Chappell Music, Inc. v. Nealy.[4]

The Second and Ninth Circuit are two influential circuit courts for copyright cases due to their location and copyright filing volume.[5] The Second Circuit includes New York, while the Ninth Circuit includes California; both are major hubs for the entertainment industry.[6] California had the highest number of copyright filings from 1996 to 2018, amounting to 16,817 filings and 22% of copyright filings in the nation.[7] New York had the second-highest number of copyright filings during that same period, which amounted to 11,115 copyright filings and 15% of copyright filings nationwide.[8] With New York and California seeing as much as 37% of the copyright filings made in the United States, it's imperative that these two states and circuit courts are in agreement regarding copyright infringement damages.

This article explains the previous circuit split between the Second, Ninth, and Eleventh Circuits over how many years plaintiffs can collect damages in a copyright infringement lawsuit, and the Supreme Court's indecisiveness over the issue. Part II provides a brief history and overview of the Copyright Act, its statutes regarding damages and the statute of limitations ("SOL"), and the implications of the Supreme Court's ruling in *Petrella*. Part III discusses the *Sohm*, *Starz*, and *Warner Chappell* cases that caused the circuit split. Part IV concludes that the discovery rule should be used to evaluate copyright infringement cases and allow for damages to be collected outside of the SOL to when the harm first occurred to dissuade infringement further.

II. BACKGROUND

A. Brief History and Overview of the Copyright Act and its SOL for Copyright Infringement

Copyright protects original works of authorship fixed in a tangible medium of expression.[9] Works that may be copyrighted include literary works, musical works, dramatic works, motion pictures, and sound

4. Petrella v. MGM, 572 U.S. 663 (2014); Warner Chappell Music, Inc. v. Nealy, 144 S. Ct. 1135 (2024).

5. *Just the facts: Intellectual property cases-patent, copyright, and trademark*, UNITED STATES COURTS (Feb. 13, 2020), https://www.uscourts.gov/news/2020/02/13/just-facts-intellectual-property-cases-patent-copyright-and-trademark.

6. *Circuit map in agency palette*, UNITED STATES COURTS, https://www.uscourts.gov/sites/default/files/u.s._federal_courts_circuit_map_1.pdf (last visited Apr 12, 2024).

7. UNITED STATES COURTS, *supra* note 5.

8. *Id.*

9. 17 U.S.C. § 102.

recordings.[10] The work does not have to be registered with the U.S. Copyright Office to be considered copyrighted, unless the copyright holder decides to bring an infringement lawsuit.[11]

The U.S. Constitution grants Congress the power to create laws governing copyright.[12] Congress enacted the first rendition of the Copyright Act in 1790, which gave authors protective ownership of their work for fourteen years.[13] Congress continued to revise the Copyright Act throughout the years as society evolved, but only majorly revamped the Copyright Act twice in history.[14] First in 1909, Congress extended the ownership term to twenty-eight years with a possibility of renewing it for another twenty-eight years, and later in 1976 when it extended the ownership term to the author's life plus fifty years.[15] Also in the 1976 update, Congress created a federal preemption statute, which gave federal courts jurisdiction instead of state courts over statutory copyright infringement lawsuits beginning on January 1, 1978.[16]

For plaintiffs to win a copyright infringement lawsuit and be awarded damages, the Supreme Court ruled that plaintiffs must establish two elements: (1) ownership of the copyright and (2) the infringer copied element(s) of the copyrighted work that is considered original.[17] If a court deems one or both of these elements have not been established, then damages will not be awarded to the plaintiff for copyright infringement.

1. Statutory Support for Copyright's Three-Year SOL and the Damages Plaintiffs May Recover from Infringers

Before 1957, the Copyright Act did not include a SOL for civil infringement lawsuits.[18] Instead, federal courts used the state's SOL of where the claim was brought to determine if a plaintiff could bring the copyright infringement lawsuit.[19] When Congress first included a SOL for copyright infringement in 1957, a three-year SOL was applied to both civil actions and criminal proceedings.[20] Congress later extended the SOL

10. *Id.*

11. *Copyright in General*, US COPYRIGHT OFFICE, https://www.copyright.gov/help/faq/faq-general.html#what (last visited Feb 22, 2024).

12. U.S. Const. art. I, § 8, cl. 8.

13. *Copyright timeline: A history of copyright in the United States*, ASSOCIATION OF RESEARCH LIBRARIES (2020), https://www.arl.org/copyright-timeline/ (last visited Feb 22, 2024).

14. *Id.*

15. *Id.*

16. 17 U.S.C. § 301.

17. Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 361 (1991).

18. 3 NIMMER ON COPYRIGHT § 12.05 (2023).

19. *Id.*

20. *Id.*

in 1997 for criminal proceedings to five years, but kept civil actions at three years.[21] This exemplifies that Congress had the opportunity to extend the SOL for civil proceedings just as it had for criminal proceedings, but instead, it viewed three years as a sufficient amount of time.

Under § 504 of the Copyright Act, copyright infringers are liable for either statutory damages or actual damages and any profits the infringer made from the infringement.[22] To calculate the profits the infringer made, the plaintiff must prove the infringer's gross revenue, while the infringer must prove their profits resulted from factors unrelated to the infringement.[23] Instead of proving actual damages and profits made by the infringer, the plaintiff may choose to receive statutory damages instead at any point during court proceedings before the court gives a final judgment.[24] Section 504 also stipulates how much the court may award in statutory damages depending on whether the burden lies with the copyright owner proving infringement or the infringer proving they were unaware of their infringement.[25] Monetary damages are consequential in copyright because they allow copyright owners to recover any losses or reduced sales that may have occurred due to the infringement.[26] It is also important to ensure infringers do not benefit or profit from their misconduct.[27] Congress created copyright to ensure creators were rewarded for their creativity, and monetary damages guarantees creators will continue to profit, even when another attempts to wrongly profit off of the creator's work.[28] Limiting how far back damages may be collected for copyright infringement could have the opposite effect: copyright would benefit infringers rather than creators. Allowing copyright holders to recover for as long as the infringement has occurred, provided that the lawsuit is filed within three years of the plaintiff finding out about the infringement, would further Congress' intentions of creating copyright to benefit creators.

2. The Discovery Rule v. the Injury Rule: Courts' Differing Opinions on When the Copyright SOLs Begin to Accrue

The Copyright Act limits a civil action from being filed unless it is

21. *Id.*

22. 17 U.S.C. § 504.

23. *Id.*

24. *Id.*

25. *Id.*

26. *Damages in copyright infringement lawsuits*, JUSTIA, https://www.justia.com/intellectual-property/copyright/infringement/damages-in-copyright-infringement-cases/ (last visited Mar 22, 2024).

27. *Id.*

28. 1 NIMMER ON COPYRIGHT § 1.03 (2023).

brought within three years after the claim accrued.[29] Courts disagree over when the clock starts to run for a copyright infringement claim under the SOL.[30] Some federal courts employed the discovery rule, while others employed the injury rule.[31] The Supreme Court has neglected to determine which rule applies in copyright infringement cases as recently as May 2024, when it decided *Warner Chappell Music v. Nealy*.[32] Although this time, the Supreme Court avoided answering the question on a technicality since Warner Chappell never challenged the circuit court's use of the discovery rule.[33] As of May 2023, nine of the thirteen circuit courts use the discovery rule in copyright infringement cases.[34]

The discovery rule allows plaintiffs to file suit within three years of identifying when the infringement transpired, while the injury rule allows plaintiffs to file within three years of when the infringement occurred, regardless of whether the plaintiff found out about the infringement.[35] The discovery rule gives the plaintiff an advantage by allowing them three years to file once they become aware of the infringement, while the injury rule gives the defendant an advantage–and victory–if their infringement goes undetected for over three years.[36] The injury rule would typically create an unfair burden on copyright owners to check for possible infringements constantly.[37] The discovery rule is more forgiving since it allows the victim to seek justice for their wrong after discovering the infringement. The injury rule, however, is contrary to the justice system since infringement that goes unnoticed for years may go unpunished.

The Ninth Circuit was the first circuit court to rule that the discovery rule should be used in copyright infringement claims in 2004 in *Polar Bear Productions, Inc. v. Timex Corp.*[38] The Ninth Circuit stated the defendant did not prove the plaintiff knew of the infringement before the filing date, so the plaintiff timely filed its lawsuit within the three-year SOL.[39] Then, in 2009, the Third Circuit ruled in *William A. Graham Co. v. Haughey*, that the Copyright Act supported the use of the discovery rule

29. 17 U.S.C. § 507(b).

30. Nimmer, *supra* note 18.

31. *Id.*

32. Warner Chappell Music, Inc. v. Nealy, 144 S. Ct. 1135, 1139 (2024).

33. *Id.*

34. Patrick J. Rodgers & Margaret A. Esquenet, *Fifth Circuit upholds "Discovery Rule" in affirming victory for photographer in copyright suit*, FINNEGAN (May 10, 2023), https://www.finnegan.com/en/insights/blogs/incontestable/fifth-circuit-upholds-discovery-rule-in-affirming-victory-for-photographer-in-copyright-suit.html.

35. Nimmer, *supra* note 18.

36. *Id.*

37. *Id.*

38. Polar Bear Prods. v. Timex Corp., 384 F.3d 700 (9th Cir. 2004).

39. *Id.* at 707.

due to the differing language Congress used for criminal proceedings and civil actions in the statute–"cause of action arose" versus "after the claim accrued."[40] In its ruling, the Third Circuit cited previous Supreme Court rulings that when the language included "cause of action arises," Congress intended for the injury rule to be applied, and when the language stated "cause of action accrued," it intended for the discovery rule to be applied.[41] This argument is solidly grounded since Congress is intentional with its phrasing in laws since the language is often scrutinized in the courts. If Congress wanted the criminal proceedings and civil actions for copyright infringement to function the same way, Congress could have easily used the same language, but it chose not to. Examining Congress' intentions when writing statutes are commonly used by courts so it's logical to use that same approach here.

Conversely, the New York Southern District Court ("NYSD")–a lower court of the Second Circuit–concluded in *Auscape Int'l v. Nat'l Geographic Soc'y* that the legislative history evidenced Congress' intent that the three years begin at the date of infringement.[42] In *Auscape*, the plaintiffs claimed *National Geographic Magazine* violated their copyrighted photographs and writings when it produced the magazine in electronic and microform editions.[43] Congress enacted the SOL in 1957 to override the conflicting state SOLs.[44] During the House Hearings, a congressman presented a hypothetical situation of a movie shown in a small town and not shown again for three years.[45] A representative of the Association of the American Motion Pictures answered that each showing was a separate infringement and the three years started when the showing occurred, not when the copyright owner learned of the infringement.[46] The District Court reasoned Congress knew of this scenario, and therefore recognized copyright infringement could not remedy every infringement.[47] The Third Circuit discredited this argument years later in *William A. Graham Co. v. Haughey*, by concluding it is not enough to infer Congress' overall intentions based on only one witness' statement, who was a lobbyist and not a congressperson.[48] However, if Congress truly kept this scenario in mind like the District Court suggests when Congress amended the Copyright Act, then it would not have chosen

40. William A. Graham Co. v. Haughey, 568 F.3d 425, 434-435 (3d Cir. 2009).
41. *Id.*
42. Auscape Int'l v. Nat'l Geographic Soc'y, 409 F. Supp. 2d 235, 245 (S.D.N.Y. 2004).
43. *Id.* at 237.
44. *Id.* at 245.
45. *Id.* at 246.
46. *Id.*
47. *Id.*
48. William A. Graham Co. v. Haughey, 568 F.3d 425, 436 (3d Cir. 2009).

different phrases for criminal proceedings and civil actions. The Supreme Court had already ruled that the injury rule applied to the criminal limitations period in the Admiralty Act six years before Congress amended the Copyright Act.[49] The Admiralty Act used the same phrase as the criminal proceedings phrase used in the Copyright Act.[50] This proves that Congress knew that when "cause of action arises" is used in a statute, the injury rule applies since the Supreme Court had already ruled on that issue. Therefore, Congress purposefully chose not to use the exact phrase for civil actions of copyright infringement and intended for the discovery rule to be used for civil actions instead of the injury rule.

The Second Circuit ruled the discovery rule should be used when it decided *Psihoyos v. John Wiley & Sons, Inc.* in 2014.[51] Psihoyos, a professional photographer, discovered in 2010 that his photographs had been published by the defendant from 2005 to 2009 in various textbooks without his permission.[52] John Wiley & Sons argued the injury rule should be used in copyright infringement claims since the Supreme Court overruled the Ninth Circuit's ruling that the discovery rule should be the default rule unless Congress explicitly legislated otherwise regarding whether the discovery rule or injury rule applied to claims under the Fair Credit Reporting Act ("FCRA").[53] However, the FCRA differs from the Copyright Act since the FCRA explicitly states the SOL begins on "the date on which the liability arises" while the Copyright Act does not have any such phrasing.[54] The Second Circuit rejected this argument and agreed with the other Circuits' rulings that Congress intended the Copyright Act to employ the discovery rule based on the text and structure of the Copyright Act and policy considerations.[55] Comparing the Copyright Act to the FCRA is not a fair comparison since the language differs between each act. Applying the Supreme Court's ruling that the injury rule applied under the FCRA would only be appropriate if Congress had used the same phrasing in the FCRA and the Copyright Act. However, Congress did not. Therefore, other statutes that utilize the injury rule but have different language from the Copyright Act should not affect whether the discovery rule or injury rule is used in copyright infringement cases since Congress intentionally used different language in both acts.

49. *Id.* at 434-435.
50. *Id.*
51. Psihoyos v. John Wiley & Sons, Inc., 748 F.3d 120, 124-125 (2d Cir. 2014).
52. *Id.* at 122.
53. *Id.* at 124-125.
54. *Id.* at 124.
55. *Id.*

3. Circuit Courts Clash Until the Supreme Court Adopts the Rolling SOL Thirty Years Later

Prior to receiving guidance from the Supreme Court, courts utilized different approaches in measuring the term of three years such as continuing wrong and rolling SOL theory.[56] The Seventh Circuit introduced the "continuing wrong" approach in 1983 with their ruling in *Taylor v. Meirick*.[57] In *Taylor*, the plaintiff owned copyrights of fishing maps of three Illinois lakes in 1974, and the defendant copied them without permission in 1976 and 1977.[58] The magistrate initially awarded the plaintiff damages of $22,700 and $10,000 in attorney fees,[59] which is about $86,000 and $37,900 in today's dollars.[60] The court concluded the SOL did not start until the continuing wrong–in this case the copyright infringement of the maps–stopped.[61] Since the lawsuit was filed in 1980 and either the defendant continued to sell copies of the infringing maps until 1979 or his dealers continued to do so until after the lawsuit was filed, the last continuing wrong of the selling of the infringed maps occurred within the three years of the plaintiff filing his suit, making the plaintiff's claim timely.[62] The court determined the initial act of the defendant copying the maps was not a separate act.[63] Instead, the first step of the wrongful conduct continued with each sale or copy made of the infringing maps.[64] The continuing wrong approach allows a plaintiff to recover for all the infringements that have occurred, regardless of whether it first occurred within three years of the plaintiff filing suit. This approach is more favorable to plaintiffs but should only be utilized along with the discovery rule so the plaintiff must file their claim within three years of discovering the infringement. This would prevent the potential problem of plaintiffs waiting to file their suit until it became most profitable and provide timely justice.

In the early 1990s, both the Second and Ninth Circuits rejected the continuing wrong approach rule used in *Taylor*.[65] Instead, both Circuits ruled the plaintiff could only recover for the infringements that occurred

56. Nimmer, *supra* note 18.

57. Taylor v. Meirick, 712 F.2d 1112, 1118 (7th Cir. 1983).

58. *Id.* at 1116.

59. *Id.* at 1117.

60. *Inflation calculator: Find US Dollar's value from 1913-2024*, US INFLATION CALCULATOR, https://www.usinflationcalculator.com/ (last visited Apr 11, 2024).

61. *Taylor*, 712 F.2d at 1118.

62. *Id.* at 1119.

63. *Id.*

64. *Id.*

65. Stone v. Williams, 970 F.2d 1043, 1049-1050 (2d Cir. 1992); Roley v. New World Pictures, Ltd., 19 F.3d 479, 481 (9th Cir. 1994).

within the three years before the filing date.[66] In *Stone*, the Second Circuit determined each infringement is its own separate harm with its own SOL.[67] If the infringement did not occur within three years of filing, the plaintiff could not receive relief for those infringements since it did not occur within the three-year SOL.[68] In *Roley*, the Ninth Circuit found the plaintiff could not prove any infringements occurred within three years of the filing.[69] Therefore, the SOL barred the plaintiff's claim.[70] The rolling SOL theory conversely gives defendants the advantage. If a defendant can go undetected and stop their infringement before the copyright owner discovers it, then defendants face no repercussions. It places more onus on the copyright owner to continuously check for possible infringements of their copyrights, which is not always possible. Copyright infringements can occur all across the globe, and copyright owners may not have or know how to use the right tools to discover possible infringement.

The Supreme Court finally put an end to the continuing wrong versus rolling SOL theory debate in 2014 in its ruling in *Petrella v. MGM* by adopting the rolling SOL.[71]

B. Supreme Court Decides Copyright Infringement SOL: Federalism and Copyright Debate

After many years of the lower federal courts disagreeing over how the SOL applied to copyright infringement cases, the Supreme Court finally provided *some* guidance. May 2014 marked the first time the Supreme Court finally decided a copyright infringement case pertaining to the SOL when it issued its ruling in *Petrella v. MGM*.[72] It took another ten years before the Supreme Court offered guidance on whether the SOL limited damages under the discovery rule in *Warner Chappell*.[73]

1. Background of the *Petrella* Case

In *Petrella*, the plaintiff's father, Frank Petrella, created three copyrighted works: two screenplays registered in 1963 and 1973 and a book registered in 1970, with boxing champion Jake LaMotta based on

66. *Id.*
67. *Stone*, 970 F.2d at 1049.
68. *Id.* at 1049-1050.
69. *Roley*, 19 F.3d at 482.
70. *Id.*
71. Petrella v. MGM, 572 U.S. 663, 671-672 (2014).
72. *Id.*
73. Warner Chappell Music, Inc. v. Nealy, 144 S. Ct. 1135, 1138 (2024).

LaMotta's life.[74] Frank Petrella and LaMotta assigned their rights to Chartoff-Winkler Productions, Inc. in 1976, and a subsidiary of Metro-Goldwyn-Mayer ("MGM") acquired the motion picture rights to the copyrighted works two years later.[75]

Then, MGM copyrighted and released the movie *Raging Bull* in 1980 and continued to promote the film by releasing it in digital formats.[76] In 1981, Frank Petrella died, and his renewal rights were transferred to his heir, the plaintiff, since he died during the first term of the copyrights.[77] The heir learned of the Supreme Court's ruling confirming the transfer of copyright renewal rights to heirs in *Stewart v. Abend* a year later in 1991 and contacted an attorney to renew the copyright of the 1963 screenplay.[78] The plaintiff's attorney told MGM that the plaintiff owned the copyright seven years later.[79] For two years, MGM and the plaintiff's attorney communicated that if MGM continued to infringe then the plaintiff would pursue legal action.[80]

2. The District Court Sides with MGM that Petrella Unreasonably Delayed Filing the Copyright Infringement Lawsuit

The plaintiff filed a copyright infringement lawsuit nine years after threatening legal action and eighteen years after obtaining the copyright in the U.S. District Court.[81] Due to the three-year SOL, the plaintiff only requested for relief of infringing acts that occurred within three years of filing the claim.[82] The District Court granted MGM's motion for summary judgment on numerous grounds, including the equitable doctrine of laches.[83] The equitable doctrine of laches denies relief to a plaintiff that unreasonably delays in bringing a claim, and is commonly used in patent infringement cases.[84] This doctrine applies when the delay of filing the claim and rewarding any damages to the plaintiff creates an unfair disadvantage to the defendant, but if the delay is reasonable then laches do not apply.[85] The District Court ruled laches barred the plaintiff's

74. *Petrella*, 572 U.S. at 673.

75. *Id.*

76. *Id.*

77. *Id.*

78. *Id.* at 674.

79. *Id.*

80. *Petrella*, 572 U.S. at 674.

81. *Id.*

82. *Id.*

83. *Id.*

84. *Laches*, LEGAL INFORMATION INSTITUTE, https://www.law.cornell.edu/wex/laches (last visited Feb 23, 2024).

85. *Id.*

lawsuit since she waited to file the lawsuit.[86] The District Court found MGM established expectations-based prejudice since MGM invested large amounts of money into the movie under the belief the company had complete ownership of it.[87] The plaintiff knew *Raging Bull* existed and that MGM was the owner. It is unclear why the plaintiff waited, but it seems it could be motivated by money. The purpose of copyright is not to wait to file suit for copyright infringement until it becomes profitable. Disregarding the laches argument and instead applying the discovery rule to *Petrella* would bar her lawsuit from occurring since the three-year SOL has long passed. Therefore, the plaintiff should not be allowed to recover damages since her lawsuit is not timely.

3. The Ninth Circuit Affirms the District Court's Ruling

The Ninth Circuit affirmed the District Court's ruling that laches barred the plaintiff's lawsuit, and agreed with the District Court that the plaintiff may have waited to file her lawsuit due to her comments on *Raging Bull* failing to make significant money.[88] The Ninth Circuit also agreed with the District Court's ruling that MGM established expectations-based prejudice since it continued to invest in the film.[89] Since MGM continued to put money into *Raging Bull* and advertise the film, this provides more evidence that the plaintiff may have been waiting for the film to become profitable. While copyright owners must be able to profit from their copyrighted works, it is not the only purpose of copyright. There should be limitations in place to prevent copyright owners from delaying their filing, and that's why the discovery rule should be used. The discovery rule provides a reasonable limitation on copyright owners by giving them three years to file as soon as they become aware of the infringement. When copyright owners learn of the infringement, the clock begins to run on the three-year SOL. The copyright owner should not be able to wait and see if the infringer makes more profits before filing a claim so they can then collect more in damages.

4. The Supreme Court Overrules the Lower Courts Finding Laches is Unnecessary in Copyright Infringement Cases Since the SOL Already Provides Protections Against Delay of Filing

The Supreme Court disagreed with the Ninth Circuit and the District Court by determining that laches could not bar a copyright infringement

86. *Petrella*, 572 U.S at 675.
87. *Id.*
88. *Id.*
89. *Id*. at 676.

lawsuit since the Copyright Act includes a SOL for copyright infringement.[90] The SOL prevents unreasonable delay by only allowing plaintiffs to recover three years before the date of the suit.[91] MGM argued laches should be a defense against copyright infringement to prevent plaintiffs from delaying their lawsuit filing to see how profitable the infringer becomes.[92] The Court, however, refutes this argument by concluding not every infringement results in major harm to the copyright holder, and stressing the importance of allowing a plaintiff to wait to determine if the benefits of litigation outweigh the costs.[93] The Court then stated the plaintiff will not be able to collect damages for infringements over three years prior.[94] The Court also ruled that the rolling SOL theory approach, referred to as the "separate-accrual rule," should be employed to determine the lapse of three years for copyright infringement.[95] The use of laches is unnecessary in copyright infringement cases since the Copyright Act already stipulates using the SOL. The Supreme Court is practical in its reasoning that copyright owners should not be allowed to delay filing their copyright infringement claims until it becomes profitable enough. However, copyright owners should not be limited in recovering damages if they are unaware of the infringement. The law should allow copyright owners to recover for every infringement that has occurred as long as the copyright owner files a timely claim.

5. The Dissent Agrees with the Majority That There is a Limitation Period

In his dissenting opinion for *Petrella*, Justice Breyer agreed with MGM's argument that laches should be available as a defense in copyright infringement claims to avoid plaintiffs from waiting to file their claims to cash in once the infringement became profitable because laches were created to prevent such scenarios.[96] Justice Breyer agreed with the majority that there is a limitation period on plaintiffs retroactively collecting damages since it creates a limit equivalent to the profits earned from the three previous years.[97] Applying the discovery rule to copyright infringements removes the need for the defense of laches since it would only give copyright owners three years to file suit once they are aware of

90. *Id.* at 677.
91. *Id.*
92. *Petrella*, 572 U.S. at 682.
93. *Id.* at 682-683.
94. *Id.* at 683.
95. *Id.* at 671.
96. *Id.* at 692 (Breyer, J., dissenting).
97. *Petrella*, 572 U.S. at 692.

the infringement. The discovery rule in conjunction with the SOL effectively limits the time a plaintiff can wait to file suit. A limitation on the damages collected is arguably pointless since the discovery rule already limits how long a plaintiff can wait to file. Therefore, a limitation on damages and the defense of laches are unnecessary due to the discovery rule already placing limitations on plaintiffs.

Usually, a Supreme Court ruling in which both the majority and dissenting opinions assert that copyright holders are limited to receiving damages three years before the filing of the claim would have settled the issue, but later the Circuits rightfully disagreed, thus further complicating the issue and creating the circuit split.

III. DISCUSSION

A. The Second Circuit Determined Petrella is Not Dicta Since It Used Statute Language for Laches Ruling

Six years after the Supreme Court ruled in *Petrella*, the Second Circuit advanced its own interpretation. The Second Circuit didn't believe *Petrella* overruled its own ruling in *Psihoyos* that the discovery rule should be used for copyright infringement claims, but it concluded *Petrella* established an SOL to recover damages.[98]

1. Background of the *Sohm* Case

In *Sohm v. Scholastic, Inc.*, the plaintiff, Joseph Sohm, was a professional photographer who entered into limited license agreements with different agencies to use his photographs.[99] The defendant, Scholastic, is known for publishing children's books, and received limited licenses from the agencies to use Sohm's photographs.[100] Sohm received monthly royalty payments from Scholastic in exchange for the use of the photographs.[101] Sohm participated in a copyright registration program in the 1990s with one of the agencies now known as Corbis Corporation ("Corbis").[102] Sohm joined the program believing he would temporarily allocate his copyrights to Corbis for registration with the Copyright Office, and then the copyrights would be reallocated back to him after the copyrights were registered.[103] Instead, Corbis registered Sohm's

98. Sohm v. Scholastic Inc., 959 F.3d 39, 41, 51 (2d Cir. 2020).
99. *Id.* at 42.
100. *Id.*
101. *Id.*
102. *Id.*
103. *Id.*

photographs in Corbis's own name, and did not mention Sohm as a registrant.[104] Then, Corbis entered into an agreement with Scholastic that specified the fees and the number of times Sohm's photographs would be printed.[105] In May 2016, Sohm sued Scholastic claiming Scholastic infringed his copyrights on 89 photographs by printing them 117 times more than the agreement stated.[106]

2. The NYSD Concludes *Petrella* is Dicta and Does Not Limit Recovering Damages

The NYSD applied the discovery rule and found no evidence suggesting Sohm should have investigated the alleged infringements earlier.[107] The NYSD also ruled against Scholastic's argument that the damages should be limited to three years prior to filing the suit.[108] The District Court concluded that the Second Circuit's ruling in *Psihoyos* continued to be good law and that *Petrella* should not be used to limit damages recovery.[109]

Since *Petrella*, there have been conflicting NYSD rulings over the limit of years for recovering damages for copyright infringement.[110] In 2015, the NYSD agreed with the Supreme Court in *Petrella* when it ruled in *Wu v. John Wiley & Sons, Inc.*, that Wu could only recover damages for any infringement that occurred three years prior to filing his lawsuit.[111] Two years later, the NYSD reversed course in its ruling in *Energy Intelligence Group, Inc. v. Scotia Capital (USA) Inc.*, and concluded there was no reasonable interpretation of *Petrella* that could be construed as establishing a year limit on the recovery of damages that is different from the SOL.[112] The NYSD found that *Petrella* did not overrule *Psihoyos* since the section of the *Petrella* opinion that addressed the SOL was dicta.[113] Dicta occurs when a judge makes a comment or suggestion in an opinion, but it's not necessary to decide the case so it is not legally binding.[114] In *Sohm*, the NYSD agreed with the reasons given in *Energy*

104. *Sohm*, 959 F.3d at 42.

105. *Id.*

106. *Id.*

107. *Id.* at 44.

108. *Id.*

109. *Id.* at 44.

110. Sohm v. Scholastic Inc., 2018 U.S. Dist. LEXIS 53490 at *28 (S.D.N.Y. Mar. 28, 2018).

111. Wu v. John Wiley & Sons, Inc., 2015 U.S. Dist. LEXIS 120707 at *19 (S.D.N.Y. Sep. 10, 2015).

112. Energy Intel. Grp., Inc. v. Scotia Capital (USA) Inc., 2017 U.S. Dist. LEXIS 13102 at *5-6 (S.D.N.Y. Jan. 30, 2017).

113. *Id.* at *5.

114. Dicta, LEGAL INFORMATION INSTITUTE, https://www.law.cornell.edu/wex/dicta (last visited

Intelligence Group.[115] The *Petrella* ruling should be considered as dicta since the plaintiff in that case did not try to recover damages from more than three years prior. That makes the *Petrella* issue that the Supreme Court ruled on different from the issue in *Sohm* so the *Petrella* ruling should not apply.

3. The Second Circuit Disagrees by Ruling That *Petrella* is Controlling

However, the Second Circuit disagreed with the NYSD's ruling and determined *Petrella* did establish an SOL for damages.[116] Similar to the NYSD, the Second Circuit acknowledged the conflicting rulings within the NYSD and cited additional rulings after the NYSD's ruling in *Sohm*.[117] The District Court ruled in *Jeehoon Park v. Skidmore, Owings & Merrill LLP* that the Copyright Act provided a three-year lookback period, but a plaintiff could not recover damages more than three years before filing, citing *Petrella*.[118]

In *Papazian v. Sony Entertainment*, the NYSD concluded the three-year limit on damages could not have been dicta in *Petrella* because it was necessary to the case's outcome.[119] The NYSD reasoned that the Supreme Court concluded in *Petrella* that laches did not apply since the Copyright Act already accounts for a delay by limiting recovery to three years, therefore the SOL was necessary to the case's result.[120] This is the same reasoning the Second Circuit utilized in *Sohm* when it overruled the NYSD's ruling that *Petrella* did not establish a SOL due to being dicta.[121] The statute's language was used to determine that laches could not be used in copyright infringement cases.[122] Therefore, it could not be dicta and damages are limited to three years prior to filing suit.[123] The SOL should be construed as a restriction on how long a plaintiff may file suit after discovering infringement, not a limit on the damages a plaintiff may recover. Therefore, the District Court's ruling in *Papazian* is wrong.

Mar 21, 2024).

115. *Sohm*, 2018 U.S. Dist. LEXIS at *29.

116. Sohm v. Scholastic Inc., 959 F.3d 39, 51 (2d Cir. 2020).

117. *Id.*

118. Jeehoon Park v. Skidmore, Owings & Merrill LLP, 2019 U.S. Dist. LEXIS 171566 at *10 (S.D.N.Y. Sep. 30, 2019).

119. Papazian v. Sony Ent., 2017 U.S. Dist. LEXIS 164217 at *14 (S.D.N.Y. Sep. 28, 2017).

120. *Id.*

121. *Sohm*, 959 F.3d at 52.

122. *Id.*

123. *Id.*

B. The Ninth Circuit Creates a Circuit Split by Disagreeing with the Second Circuit's Ruling That Petrella was Not Dicta

1. Background of the *Starz* case

In *Starz Entertainment v. MGM Domestic TV Distribution*, the plaintiff, Starz Entertainment ("Starz"), offers a subscription video service that contains original programming and other studios' popular movies and television shows that are licensed.[124] Starz holds the exclusive right to movies and television shows by entering into license agreements with the other studios.[125] Starz entered into two copyright licensing agreements with MGM, the defendant, in 2013 and 2015, which comprised Starz paying a total of $70 million for the exclusive rights to 585 movies and 126 television series episodes within the United States for time lengths varying from months to years and MGM giving Starz contractual warranties that Starz would be the only licensee with those exclusive rights.[126] Starz later discovered one of the movies it owned exclusive rights to was also available on Amazon Prime Video.[127] Starz alerted MGM, who admitted the violation and offered to resolve the issue by giving Starz additional time for the exclusive rights and did not mention any other violations.[128] More than 200 movies and 100 television series episodes included in the agreements were found to have been fraudulently licensed to other providers so Starz sued MGM for copyright infringement.[129] MGM claimed *Petrella* prevented Starz from recovering damages for 126 of the 340 titles included in the claim since their exclusive rights license periods elapsed three years prior to Starz filing a claim in 2020.[130] Starz argued the discovery rule prevented the bar from recovering those titles since the infringements were not discovered yet.[131] MGM responded that Starz should have found the infringements concurrently, and *Petrella* prevented damages beyond three years even if the discovery rule was applied.[132]

124. Starz Ent., LLC v. MGM Domestic TV Distrib., LLC, 39 F.4th 1236, 1238 (9th Cir. 2022).

125. *Id.*

126. *Id.*

127. *Id.*

128. *Id.*

129. *Id.* at 1238.

130. Starz Ent., LLC v. MGM Domestic TV Distrib., LLC, 510 F. Supp. 3d 878, 882 (C.D. Cal. 2021).

131. *Id.*

132. *Id.*

2. The California Central District Court Opposes the Second Circuit's Ruling by Concluding the Supreme Court Declined to Pass on Question of the Discovery Rule

In *Menzel v. Scholastic, Inc.*, the California Northern District Court determined in 2019 that *Petrella* did not apply to the SOL for damages since the plaintiff in *Petrella* never attempted to recover damages beyond three years.[133] The court also concluded that the Supreme Court did not create a damages bar separate from a time bar in *Petrella*, it simply concluded there was an injury rule for accrual and therefore the ability to recover damages was not at issue.[134] Since there is no explicit separate damages bar, the Ninth Circuit's ruling in *Polar Bear* that damages may be recovered prior to three years remained good law.[135] Similarly in 2020 in *Mavrix Photo, Inc. v. Rant Media Network, LLC*, the California Central District Court ruled the language the Supreme Court used in *Petrella* did not overturn the use of the discovery rule since the Supreme Court acknowledged nine circuit courts used the discovery rule and it had not passed on the question of whether the injury rule should be used instead.[136] Therefore, since the Supreme Court did not explicitly rule whether the discovery or injury rules should be applied in copyright infringement cases in *Petrella*, the Ninth Circuit's use of the discovery rule continued to be good law.[137] The Supreme Court had the chance to rule whether the discovery rule or injury rule applied, but instead it decided not to pass on the question. The Supreme Court acknowledged nine circuit courts using the discovery rule, but it would have ruled on the issue if it deemed this the wrong approach. Again, the Supreme Court avoided determining which rule applies when it decided to limit the question in *Warner Chappell* so its ruling only covered instances where the discovery rule is applied.[138] Therefore, the discovery rule should be used since the Supreme Court did not rule against it when it had the perfect opportunity to do so.

In *Starz*, the California Central District Court acknowledged that the Second Circuit and its district courts ruled differently on whether *Petrella* was binding on the three-year limit on damages, even though the discovery rule remained good law.[139] However, the District Court

133. Menzel v. Scholastic, Inc., 2019 U.S. Dist. LEXIS 217593 at *21 (N.D. Cal. Dec. 18, 2019).

134. *Id.* at *21-22.

135. *Id.* at *22.

136. Mavrix Photo, Inc. v. Rant Media Network, LLC, 2020 U.S. Dist. LEXIS 248485 at *9-10 (C.D. Cal. Nov. 2, 2020).

137. *Id.* at *10.

138. Warner Chappell Music, Inc. v. Nealy, 144 S. Ct. 1135, 1138 (2024).

139. Starz Ent., LLC v. MGM Domestic TV Distrib., LLC, 510 F. Supp. 3d 878, 885 (C.D. Cal. 2021).

concluded the Supreme Court declined to pass on the question of the discovery rule, which means *Petrella* did not overrule any precedent law on the discovery rule and damages bar in the Ninth Circuit.[140] Instead, the District Court found that when the Supreme Court adopted the rolling SOL approach in *Petrella*, meaning each infringement has its own separate three-year SOL, that was vital to the ruling against the use of laches since it proved how the Copyright Act allows for delay.[141] The District Court concluded that the discovery rule is an exception to the three-year damages SOL so whether Starz can recover is based on when it discovered the infringements, not when they took place.[142] The District Court is correct in ruling that *Petrella* did not overrule the use of the discovery rule since the Supreme Court did not pass on the question of which rule applies, and it, therefore, remained good law. Therefore, Starz should be able to recover damages for every infringement since it discovered the infringements within three years of filing its lawsuit.

3. The Ninth Circuit Officially Creates a Firm Circuit Split by Diverging from the Second Circuit's Ruling

In *Starz*, the Ninth Circuit addresses that the Second Circuit is the only circuit that ruled whether *Petrella* established a separate damages bar from the SOL in *Sohm*.[143] MGM urged the Ninth Circuit to adopt the Second Circuit's ruling in *Sohm*.[144] However, the Ninth Circuit disagreed that *Petrella* established a cap on the recovery of damages.[145] With the discovery rule, the Ninth Circuit ruled copyright owners should be able to recover for all infringements that happened before it knew about it so the three-year SOL begins to run as soon as the copyright owner discovers the infringement.[146]

The Ninth Circuit reasoned that having a separate damages bar would devitalize the discovery rule and make it no different from the injury rule.[147] Applying both the discovery rule and a three-year SOL, as the Second Circuit did, would be contradictory since the purpose of the discovery rule is to start the accrual clock as soon as copyright owners discover the infringement.[148] Starz did not discover the infringements

140. *Id.* at 886.
141. *Id.*
142. *Id.* at 888.
143. Starz Ent., LLC v. MGM Domestic TV Distrib., LLC, 39 F.4th 1236, 1242 (9th Cir. 2022).
144. *Id.* at 1243-1244.
145. *Id.*
146. *Id.* at 1244.
147. *Id.*
148. *Id.*

until 2019, so it would have been prevented from recovering the infringements that occurred as early as 2013, which would have benefited the infringer.[149] Using the discovery rule and three-year SOL in conjunction creates a scenario where the infringer may go unpunished for their wrongdoing if they can go undetected for three or more years, which goes against the very purpose of copyright law. Therefore, the three-year limitation cannot be based on when the claim was filed since the Copyright Act never mentions a filing date in the statute.[150]

The Ninth Circuit also ruled that if Congress intended to create a separate damages bar, it would have explicitly stated it in the section of the Copyright Act that governs damages.[151] Congress had every opportunity to explicitly state a limit on when damages could be recovered for in the many times it amended the Copyright Act, but it decided not to make that change. Congress not overtly stating it should signal Congress did not want damages to be limited. Further, the Ninth Circuit concluded that laches requires the filing of a lawsuit to be deliberately delayed, but if the copyright owner is unaware of the infringement then they cannot delay the filing of a claim.[152] SOLs ensure timely claims, but a claim cannot be filed if it is unknown.[153] The Ninth Circuit affirmed the District Court's ruling that *Petrella* did not change any law in the Ninth Circuit since applying both the discovery rule and the three-year SOL would be impossible.[154] Combining the discovery rule with the three-year SOL would be pointless since the discovery rule does not start the clock until the copyright owner discovers the infringement. If the three-year SOL already starts the clock, then there's no need for a discovery rule, but the Supreme Court did not make that ruling in *Petrella*.

C. The Eleventh Circuit Arguably Rightfully Sides with the Ninth Circuit by Ruling Petrella Involved the Injury Rule, and the Copyright Act Fails to Mention a Damages Bar

Since both the Second and Ninth Circuits had issued rulings by the time the Eleventh Circuit heard its own case, the Eleventh Circuit had a choice to decide which circuit court it would side with. It ultimately decided to take a similar approach as the Ninth Circuit.

149. *Starz*, 39 F.4th at 1244.
150. *Id.*
151. *Id.*
152. *Id.* at 1246.
153. *Id.*
154. *Id.*

1. Background of the *Warner Chappell* Case

In *Nealy v. Warner Chappell Music*, plaintiff Sherman Nealy became president of Music Specialist, Inc. ("MSI") in the 1980s and provided funding for MSI.[155] Tony Butler, a disc jockey, served as MSI's vice president and either authored or co-authored all the musical works at issue.[156] MSI recorded, released, and registered one album and several singles with the Copyright Office in the mid 1980s, before dissolving as a corporation in 1986 and terminating all business in 1989 when Nealy went to prison.[157] Butler founded a new company called 321 Music, LLC ("321") while Nealy served his prison sentence.[158] Butler licensed the rights from the MSI catalog to other recording companies including Atlantic Recording Corporation ("Atlantic").[159] In July 2008, Butler and 321 made Warner Chappell Music, Inc. ("Warner") and Artist Publishing Group, LLC ("Artist") the exclusive administrators of the music publishing rights of all the musical works at issue.[160] Nealy never authorized any use of the MSI catalog when he served his prison sentence.[161] In 2008, Nealy was released from prison and learned that a third party, Robert Crane, was using works from the MSI catalog.[162] However, nothing happened after Nealy met with Crane since Nealy did not know what litigation options were available to him.[163] Litigation occurred between Crane, Atlantic, Artist, Warner, Butler, and 321, but Nealy was unaware of the litigation and not a party to the case.[164] Nealy then served another prison sentence from 2012 until 2015.[165] In January 2016, he learned of the litigation and filed suit in December 2018.[166]

2. The Florida Southern District Court Agrees with the Second Circuit that *Petrella* is Controlling

In 2021, the Florida Southern District Court ruled against the plaintiff's argument that the language in *Petrella* was dicta–the conclusion the Ninth

155. Nealy v. Warner Chappell Music, Inc., 60 F.4th 1325, 1328 (11th Cir. 2023).
156. *Id.*
157. *Id.*
158. *Id.*
159. *Id.*
160. *Id.* at 1328.
161. *Nealy*, 60 F.4th at 1328.
162. *Id.*
163. *Id.*
164. *Id.*
165. *Id.*
166. *Id.*

Circuit would come to one year later.[167] The District Court looked to the Second Circuit's finding in *Sohm* since the Eleventh Circuit had not ruled on that specific issue yet, and neither had the Ninth Circuit in *Starz*.[168] The District Court deemed the three-year limitation a fundamental part of *Petrella*'s outcome, which made it binding precedent and not dicta.[169] The District Court concluded the three-year limitation applied to recovering damages.[170] The three-year limitation is important in *Petrella*'s outcome, but it is used to demonstrate that the defense of laches is not necessary for copyright infringement since it already limits plaintiffs from delaying filing their lawsuit. Without any other guidance, it is understandable how the Florida Southern District Court arrived at its conclusion because it appeared it would be following suit of the other courts' lead. However, since the plaintiff in *Petrella* did not attempt to recover damages for more than three years, the Supreme Court's statements on recovering damages should be considered as dicta since it did not affect the outcome of the case.

3. The Eleventh Circuit Reverses the Lower Court and Joins the Ninth Circuit Side in the Circuit Split

The Eleventh Circuit ruled in *Warner Chappell* agreeing with the Ninth Circuit in February 2023, almost a year after the Ninth Circuit ruled on *Starz*.[171] Similar to the Ninth Circuit, the Eleventh Circuit concluded the SOL in *Petrella* only occurs under the injury rule, not the discovery rule, and the Copyright Act did not explicitly state a time limit on remedies.[172] The Eleventh Circuit examined the context in which the Supreme Court decided *Petrella*.[173] In *Petrella*, the issue was whether laches could be used as a defense on a copyright infringement claim brought during the three-year limitation time frame.[174] The Eleventh Circuit concluded that since the Supreme Court ruled a copyright owner cannot bring infringement claims three years after the injury occurred under the injury rule, the Supreme Court did not decide whether the three-year limitation applies to cases under the discovery rule.[175] The Supreme Court explicitly stated that it knew nine of the circuit courts had used the discovery rule

167. Nealy v. Atl. Recording Corp., 2021 U.S. Dist. LEXIS 105115 at *10 (S.D. Fla. June 4, 2021).
168. *Id.*
169. *Id.* at *11.
170. *Id.*
171. *Nealy*, 60 F.4th at 1331.
172. *Id.*
173. *Id.* at 1332.
174. *Id.*
175. *Id.* at 1333.

and it did not pass on whether the discovery rule had been applied when it could have.[176] Therefore, the Supreme Court had no intention of barring timely damages under the discovery rule.[177] The Supreme Court knew the circuit courts' use of the discovery rule in copyright infringement cases, but explicitly decided not to rule on the issue. If the Supreme Court disagreed with the use of the discovery rule, it had every chance to rule against it in *Petrella*. The Supreme Court's continuous refusal to decide which rule applies and later refining the question in *Warner Chappell* to include "under the discovery rule" indicates the discovery rule is applicable in copyright infringement cases. Therefore, the Supreme Court's ruling in *Petrella* is not a brightline rule for copyright infringement damage claims.

The Eleventh Circuit also examined the plain text of the Copyright Act to determine if it explicitly created a damages bar.[178] If a plaintiff files a civil action timely, there is no time limit stated in the Copyright Act on what the plaintiff may receive as a remedy.[179] The Eleventh Circuit ruled the damages provision of the Copyright Act did not contain any language that barred a plaintiff from recovering less than the harm the infringer caused.[180] The Copyright Act determined an infringer is responsible for actual damages, which is the amount that the plaintiff suffered because of the infringement.[181] Actual damages could be severely curtailed if they were limited to three years before the filing of a lawsuit since the infringement could have been going on for years longer. It is important to give the advantage to copyright owners rather than the infringers. Especially considering in this case, the plaintiff had been in and out of prison and would have had limited access to the outside world preventing him from promptly discovering infringements. Not having the proper access to discover potential infringements should not bar a plaintiff from recovering damages resulting from the infringements.

4. The Supreme Court Rules in Favor of Nealy, But Still Refuses to Resolve How Copyright Infringement Claims Should Be Evaluated

The Supreme Court elected to narrow the question by specifying whether a plaintiff could recover damages for acts that occurred more than

176. *Id.*
177. *Nealy*, 60 F.4th at 1334.
178. *Id.*
179. *Id.*
180. *Id.*
181. *Id.*

three years before filing a claim *under the discovery rule*.[182] The Supreme Court reasoned it could not rule on whether the discovery rule in copyright infringement claims was valid since Warner never challenged the Eleventh Circuit's use.[183] Once again, the Supreme Court procrastinated deciding whether the injury or discovery rules apply for copyright infringement damages.

The Supreme Court concluded under the discovery rule that the Copyright Act's SOL starts when the infringement is uncovered.[184] Since the SOL starts when the infringement is discovered, a copyright owner may recover damages that occurred more than three years prior to filing.[185] The Supreme Court also found that if any time limit existed for copyright owners to recover damages, it would have been included in the remedial sections of the Copyright Act.[186] Section 504(a)-(c) does not include any time limit on how much a copyright owner may recover, only that either statutory damages or actual damages may be recovered.[187] The Supreme Court recognized the contrary nature of applying both the discovery rule and a SOL on recovering damages.[188] This is the only way that the use of the discovery rule in copyright infringement claims makes sense since both of them cannot apply.

Furthermore, the Supreme Court concluded that the Second Circuit's argument in *Sohm* that the *Petrella* opinion specifically stated plaintiffs could only recover three years prior to filing a claim, was misconstrued by the Second Circuit.[189] The Supreme Court contended that it meant in *Petrella* that a plaintiff could only recover three years prior to filing *if* the plaintiff has no timely claims for infringing acts that occurred more than three years prior.[190] The discovery rule could not be applied to the plaintiff's claim in *Petrella* because she knew about the infringing acts for years before filing a claim.[191] The Supreme Court distinguished Nealy's case from *Petrella* since the discovery rule applied in his case.[192] While the Supreme Court's ruling in *Warner Chappell* finally settled the circuit split, it still leaves one major question unanswered: should the injury or discovery rule apply to copyright infringement claims. The Supreme Court avoided the question for years by not passing on it in cases

182. Warner Chappell Music, Inc. v. Nealy, 144 S. Ct. 1135, 1138-1139 (2024).
183. *Id.* at 1139.
184. *Id.*
185. *Id.*
186. *Id.*
187. *Id.*
188. *Warner Chappell*, 144 S. Ct. at 1139.
189. *Id.* at 1140.
190. *Id.*
191. *Id.*
192. *Id.*

like *Petrella* and *Warner Chappell* when it had the opportunity to rectify the major question. As a result, copyright infringement cases may vary in results–and potentially justice–depending on which court they are brought in and which rule that court utilizes.

5. The Dissent Argues the Copyright Act Has No Room for the Discovery Rule

The short dissent posits that the discovery rule is not admissible under the Copyright Act.[193] The dissent maintains the discovery rule should mainly be used for statutes that explicitly state the use of the discovery rule applies or in fraud or concealment cases.[194] Since *Petrella* states that a copyright infringement claim arises when the infringing act occurs, the dissent concludes the discovery rule may not apply in copyright infringement cases.[195] Although Justice Gorsuch believes the discovery rule is not applicable, he contends he would have preferred to have dismissed *Warner Chappell* as improvidently granted.[196] Dismissing as improvidently granted means the Supreme Court no longer wants to decide the case after it has granted certiorari to hear it, but it rarely happens.[197] This would have allowed the Supreme Court to not issue a ruling in *Warner Chappell*, and wait for a case that clearly challenges whether the injury or discovery rules apply in copyright infringement cases.[198] The dissent tries to equate the situation in *Warner Chappell* to *Petrella*, but it fails to address the main difference where Petrella never claimed the infringements that took place more than three years prior to her filing her claim. While it is not ideal for the Supreme Court to continue to prolong the debate over limitations of damages for copyright infringement claims, dismissing the case as improvidently granted may have saved some confusion for the lower courts in the long run. The lower courts may interpret *Warner Chappell* differently–exactly how *Petrella* was interpreted differently in the lower courts. However, the Supreme Court made it more complicated than it needed to be when it decided to restrict the question presented in *Warner Chappell* to specifically include the discovery rule, which left the debate of injury rule versus discovery rule wide open.

193. *Id.* at 1140 (Gorsuch, J., dissenting).

194. *Warner Chappell*, 144 S. Ct. at 1141.

195. *Id.*

196. *Id.*

197. Michael E. Solimine & Rafael Gely, *The Supreme Court and the Sophisticated Use of DIGs*, 18 SUPREME COURT ECONOMIC REVIEW 155-176, 156 (2010).

198. *Warner Chappell*, 144 S. Ct. at 1141.

IV. CONCLUSION

While the Supreme Court ruled copyright owners may collect damages for acts that happened more than three years prior to the filing of the lawsuit, the Supreme Court still leaves open the question of whether the discovery rule or injury rule should be utilized in copyright infringement cases. This means either rule may be used in the courts, which still allows the possibility of copyright owners not being able to collect damages for every infringing act and the disadvantage for copyright owners remains. Congress created copyright to allow authors the opportunity to own and profit from their work and to help encourage creativity. Limiting copyright owners to recover damages to three years before the lawsuit is filed may not be enough to disincentivize infringers. If Congress wanted to limit how long copyright holders could recover damages, then Congress would have included it in the damages section of the Copyright Act. Congress has amended the Copyright Act many, many times since the incorporation of the act, but has never amended the damages section to include such a limitation. Therefore, courts should interpret the Copyright Act as to incorporate both the three-year SOL and the discovery rule to allow copyright owners to recover damages from when the infringement first transpired as long as they file a claim within three years of discovering the infringement.