

Injury v. Discovery: When Copyright Holders Can Recover Damages for Infringement that Occurred More than Three Years Before Discovery of the Infringement

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Since the Supreme Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, 572 U.S. 663 (2014) allowing copyright plaintiffs to recover for damages incurred during a [three-year look-back period](#) even when suit is filed many years after the initial infringement occurred, defendants have argued that plaintiffs' recoverable damages are limited to those sustained in the three years preceding the lawsuit regardless of when filed or when the infringement was discovered. This means that a plaintiff that did not discover or have reason to know of the infringement when it first occurred would be barred from recovering damages for that infringement if suit is filed more than three years after the unknown infringement started.

Recently, several circuit appeals courts confronted with these fact patterns affirmed the existence and application of the *discovery rule* and its distinction from the *injury rule* espoused by *Petrella*. Under the discovery rule, the three-year damages bar contained in Section 507(b) of the Copyright Act does not apply when a plaintiff was reasonably unaware of past infringements and filed suit within three years of discovery. Thus, if suit is filed within three years of "discovery," a plaintiff will be entitled to seek damages for all periods of infringement, including those that occurred more than three years prior to the filing of the suit; but if after discovery of infringement, which continues, a plaintiff waits more than three years to file suit (based on "injury" that occurred from infringements during the three years leading up to the lawsuit), its damages will be limited to the three year period preceding the filing of the lawsuit.

In *Starz Ent., LLC v. MGM Domestic Television Distrib., LLC*, 39 F.4th 1236, 1242-44 (9th Cir. 2022), Starz Entertainment sued MGM for copyright infringement arising from MGM's licensing of movies and television shows to third-parties in breach of the exclusive rights Starz received from MGM many years earlier in exchange for \$70 million payment. Starz brought its lawsuit within three years after discovering MGM's transgressions and MGM sought to bar Starz from recovering any damages for infringement that occurred more than three years prior to the filing of the suit. The district and appellate courts rejected that limitation holding that § 507(b) does not prohibit the recovery of damages for infringing acts that occurred outside the three-year look-back period so long as "the copyright plaintiff was unaware of the infringement, and that lack of knowledge was reasonable under the circumstances."

17 U.S.C. § 507 establishes the statute of limitations under the Copyright Act: “No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.” In the copyright context, a claim accrues “when an infringing act occurs,” *Petrella*, 572 U.S. at 670, i.e., when the infringer “violates any of the exclusive rights of the copyright owner,” *Bell v. Wilmott Storage Servs., LLC*, 12 F.4th 1065, 1080 (9th Cir. 2021) (emphasis omitted) (quoting 17 U.S.C. § 501(a)), although this is not the only time a claim accrues. In the case of continuing infringement, which became known to or reasonably should have been discovered by the rights holder, a plaintiff can file suit any time within three years of an infringing event, however, if suit is brought more than three years after initial discovery, recovery would only be allowable for infringing acts occurring within the three-year window before the filing of the lawsuit.

The overwhelming majority of courts agree that when suit is filed within three years of initial discovery, a plaintiff can recover damages for infringing acts that occurred more than three years prior without limitation. See 6 William F. Patry, *Patry on Copyright* § 20:19 (2013) (collecting cases). The exception being the Second Circuit. In *Sohm v. Scholastic Inc.*, 959 F.3d 39 (2d Cir. 2020), the Second Circuit held that the *Petrella* Court “explicitly delimited damages to the three years prior to the commencement of a copyright infringement action.” Therefore, it concluded that the discovery rule applies to determine when a copyright infringement claim accrues, but a three-year lookback period from the time a suit is filed applies to determine the extent of the relief available. Accordingly, the *Sohm* court limited a plaintiff’s recoverable damages to infringement occurring during the three years prior to filing suit, even where the copyright holder was unaware of prior infringing acts.

Latching on to that philosophy, MGM argued Starz’s damages were limited to those suffered in the three years prior to suit regardless of when it discovered the infringement. The Ninth Circuit, however, diverged from the Second Circuit in finding that *Petrella* did not dictate a limitation on damages rule. Instead, the appellate court reasoned that the discovery rule allowed copyright holders to recover damages for all infringing acts that occurred before they knew or reasonably should have known of the infringing incidents. Otherwise, if claimants were automatically limited to only recovering for acts occurring a few years before an infringement claim accrued, the discovery rule would serve no purpose, an absurd result.

For litigants in cases involving long term infringement, the battle ground will surround when a plaintiff “should” have discovered the infringement through the exercise of “reasonable diligence.”

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