The Copyright Discovery Rule: Living on Borrowed Time?

A statute of limitations is often called a statute of repose, "repose" meaning the "elimination of stale claims, and certainty about a plaintiff's opportunity for recovery and a defendant's potential liabilities."[1] By mandating "repose," a statute of limitations expresses the judicial system's understanding that, despite its "instinct to provide a remedy for every wrong[,] . . . the passage of time must leave some wrongs without a remedy."[2]

Before 1957, the Copyright Act did not have its own statute of limitations. Instead, each federal court applied what it deemed to be the applicable state-law statute of limitations of the State in which that court sat. This practice resulted in wide local variations in the implementation of the Copyright Act.[3] In 1957, determining that "it is highly desirable to provide a uniform period throughout the United States," Congress sought to remedy the inconsistency by enacting the three-year statute of limitations that is found today in Section 507(b) of the current Act. In settling on three years as the appropriate period, Congress observed that "due to the nature of publication of works of art . . . generally the person injured receives reasonably prompt notice or can easily ascertain any infringement of his rights."[4]

Unfortunately, Congress's desire for uniformity has not come to pass because of the widespread application in copyright cases of the discovery rule, a judge-made rule that suspends the running of a statute of limitations until the plaintiff learned or reasonably could have learned of the defendant's violation of the plaintiff's rights.[5] Originally conceived for the limited instance where the defendant's conduct concealed the violation from the plaintiff, federal courts now apply the discovery rule to virtually every kind of fact pattern absent express statutory language to the contrary.[6] In the copyright context, because the Copyright Act does not *expressly prohibit* use of a discovery rule, courts have permitted plaintiffs to sue beyond the three-year statute-of-limitations period even for seemingly open and notorious acts: buildings in plain public view;[7] public advertising and sale of sports memorabilia photographs;[8] photographs displayed for years online by a major stock-photo agency.[9]

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[1] *Gabelli v. Securities and Exchange Commission*, 588 U.S. 442, 448 (2013) (quoting from *Rotella v. Wood*, 528 U.S. 549, 555 (2000)).
[2] *Pearl v. City of Long Beach*, 296 F.3d 76, 77 (2nd Cir. 2002), *cert. denied*, 538 U.S. 922 (2003).
[3] Sen. Rep. 85-1014 (1957)
[4] *Id*.
[5] *TRW Inc. v. Andrews*, 534 U.S. 19, 27 (2001). The nine federal circuit courts of appeal that have addressed the issue have held that the discovery rule applies to claims under the Copyright Act. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663, 670 n. 4 (2014).
[6] *Id.*
[7] *Design Basics, LLC v. Roersma & Wurn Builders, Inc.*, 2012 WL 1830129, *report & recommendation adopted*, 2012 WL 1830103 (W.D. Mich. 2012).
[8] *Boehm v. Heyrman Printing, LLC*, 2017 WL 53296 (W.D. Wisc. 2017).
[9] *Cooley v. Penguin Group (USA) Inc.*, 31 F.Supp.3d 599 (S.D.N.Y. 2014); *Mackie v. Hipple*, 2010 WL 3211952 (W.D. Wash. 2010). One treatise argues that the discovery rule is appropriate for the on-line world because "[t]he owner of a copyright simply cannot know of every infringement when it occurs, particularly in today's world of a global internet which can hide either the infringement or the infringer or both." 2 H.B. Abrams & T.T. Ochoa, The Law of Copyright § 16:16 (2019). To the contrary, the digitization of information has made detection easier through

In *TRW Inc. v. Andrews*, the Supreme Court put into question the widespread application of the discovery rule in the lower federal courts, holding that the rule is not "applicable across all contexts."[10] However, because the statute of limitations before the Court in *TRW* could be interpreted without requiring a general decision on the discovery rule, the Court passed on the broader question as "a matter this case does not oblige us to decide . . . ."[11] Also, while rejecting the presumption that a discovery rule applies absent express statutory language to the contrary, the Court left the issue ambiguous with its comment that the applicability of the discovery rule could be deduced "by implication from the structure or text of the particular statute."[12]

Justice Scalia's concurring opinion,[13] joined by Justice Thomas, characterized the discovery rule as "bad wine of recent vintage,"[14] and chastised the majority for not deciding once and for all that there is no presumption of a discovery rule generally applicable to federal statutes of limitation. According to Justice Scalia, "'That a person entitled to an action has no knowledge of his right to sue, or of the facts out of which his right arises, does not postpone the period of limitation.'"[15]

In *Auscape International v. National Geographic Society*,[16] an opinion that Prof. Patry describes as "an extremely thorough and well-reasoned review of the issues,"[17] District Judge Kaplan of the Southern District of New York made a detailed analysis of the Copyright Act's text and legislative history to conclude that in light of *TRW*, the discovery rule could no longer be applied to extend the limitations period under Section 507(b):

> In a copyright infringement case, . . . in most cases, the infringement occurs in public. Thus, copyright infringement is not often an extreme situation crying out for a discovery rule.[18]

Several other judges in the Southern District, persuaded by Judge Kaplan's reasoning, similarly ruled that *TRW* foreclosed application of the discovery rule under the Copyright Act.[19] In contrast, the Third Circuit Court of Appeals, after making its own analysis of the Copyright Act's "structure or text," reached the opposite conclusion in *Graham v. Haughey*.[20] However, in *Graham* the defendant had systematically concealed its infringement for years, a fact setting that *TRW* acknowledged always would be appropriate for the discovery rule.[21] Nonetheless, although *Psihoyos v. John Wiley & Sons, Inc*., involved an open and notorious infringement – publication

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services and applications that are able to search the internet for infringing uses. *See, e.g.*, https://www.imagerights.com/; https://tineye. com/; https://support.google.com/youtube/answer/2797370?hl=en.

[10] 534 U.S. at 27.

[11] *Id*.

[12] *Id.* at 28.

[13] *Id.* at 35-6.

[14] *Id.* at 36.

[15] *Id*. (quoting 2 H. Wood, Limitation of Actions, § 276c(1), at 1411 (4th ed. 1916)).

[16] 409 F.2d 235 (S.D.N.Y. 2004).

[17] 6 Patry on Copyright § 20:20 (March 2020).

[18] 409 F.2d at 247.

[19] *See Muench Photography, Inc. v. Houghton Mifflin Harcourt Publishing Co.*, 2013 WL 4464002, *5 (S.D.N.Y. 2013), and cases there cited.

[20] 568 F.3d 425 (3rd Cir. 2009).

[21] 534 U.S. at 27.

of photographs in a textbook – the Second Circuit Court of Appeals still applied the discovery rule with the brief, cursory statement that "the text and structure of the Copyright Act, unlike the [statute in *TRW*], evince Congress's intent to employ the discovery rule, not the injury rule."[22]

Meanwhile, in two decisions after *TRW* the Supreme Court continued to tiptoe around the discovery-rule question. In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, the Court eliminated the defense of laches against copyright-infringement claims and held those claims restricted only by the statute of limitations, but as to the applicable limitations period, the Court pointedly observed that it had "not passed on the question" of the "use [of] discovery accrual in copyright cases . . . ."[23] In a subsequent patent case that again did not require the Court to address the discovery rule head on, Chief Justice Roberts nonetheless commented that it "is not ordinarily true" that a statute of limitations is triggered only when the plaintiff knows of the cause of action and that a discovery rule "is not a universal feature of statutes of limitations."[24]

In *Rotkiske v. Klemm*, decided in December 2019, the Supreme Court finally confronted the discovery rule directly in an opinion by Justice Thomas, who nearly 20 years before had joined Justice Scalia's concurring opinion in *TRW*.[25] Reprising Justice Scalia's pithy characterization of the discovery rule as "bad wine of recent vintage," Justice Thomas – joined by six other Justices plus Justice Sotomayor concurring – held that a federal statute of limitations is to be interpreted as written. "Atextual judicial supplementation [with a discovery rule] is particularly inappropriate" because

> It is not [the Supreme Court's] role to second-guess Congress' decision to include a "violation occurs" provision, rather than a discovery provision . . . . The length of a limitations period "reflects a value judgment concerning the point at which the interests in favor of protecting valid claims are outweighed by the interests in prohibiting the prosecution of stale ones."[26]

To emphasize that a court should not read a discovery rule into a statute of limitations, Justice Thomas cited several federal statutes that expressly provide for the limitations period to run on discovery. Because "Congress has shown that it knows how to adopt [such] language or provision," it is improper for a court to supply discovery language when Congress has, by its silence, manifested a different intent.[27]

It now appears likely that the copyright discovery rule will not survive the strict interpretation of statutes of limitation mandated by *Rotkiske*. Section 507(b) of the Copyright Act states that an action must be "commenced within three years after the claim accrued." A cause of action "accrues" when it comes into existence, not when the plaintiff learns of its existence.[28] Conceptually, "accrues" is no different from "the date on which the violation occurs" that *Rotkiske*

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[22] 748 F.3d. 120, 124 (2nd Cir. 2014).
[23] 572 U.S. 663, 670 n. 4 (2014).
[24] *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S.Ct. 954, 962 (2017).
[25] 140 S.Ct. 355 (2019).
[26] *Id*. at 361 (quoting *Johnson v. Railway Express Agency, Inc.*, 421 U.S. 454, 463–464 (1975)).
[27] *Id*.
[28] *Gabelli v. Securities and Exchange Commission*, 588 U.S. 442, 448 (2013).

held to mean when the "violation actually happened."[29] Either the courts of appeal will revisit their prior adoptions of the discovery rule in light of *Rotkiske* or the right case will present the issue squarely to the Supreme Court.[30]

The demise of the rule will be salutary. The discovery rule elevates the "instinct to provide a remedy for every wrong" over the principle of repose embodied in a statute of limitations. To require a defendant to defend against a "stale" claim is not merely a matter of semantics. A "stale" claim often arises after the documents and files needed for the defense have been misplaced or destroyed, individual memories lapsed, witnesses become unavailable, and corporate memory lost because of employee turnover. Moreover, invocation of the rule immediately puts into issue the plaintiff's knowledge and diligence in discovering the cause of action, which means another layer of litigation with costly and time-consuming discovery requests and depositions. Faced with these additional litigation expenses, and without the assurance of the successful outcome that would result if the statute of limitations were applied strictly, many defendants make the understandable decision to settle a claim that should have been in repose years before. Elimination of the discovery rule will redress this unfairness and restore the balance between plaintiff and defendant that Congress intends when it enacts a statute of limitations.

[29] 140 S.Ct. at 360.

[30] In *Sohm v. Scholastic Inc.*, 959 F.3d 39, 50 (2nd Cir. 2020), a copyright-infringement case argued before the decision in *Rotkiske*, but decided after, the Second Circuit Court of Appeals "decline[d] to alter this Circuit's precedent mandating use of the discovery rule . . . ." In just a footnote, the Court stated that *Rotkiske* "does not persuade us to depart from this holding." *Id*. at 50 n. 2. However, *Sohm* can be explained as falling within the narrow discovery-rule exception still recognized by the Supreme Court, as the defendant in *Sohm* concealed the evidence of its infringement from the plaintiff. Hopefully, the Second Circuit, which decides many important copyright cases, will address the issue with greater analysis when presented with application of the discovery rule in a suit involving an open and notorious infringement.