The Role of Laches in Closing the Door on Copyright Infringement Claims

Dylan Ruga*
THE ROLE OF LACHES IN CLOSING THE DOOR ON COPYRIGHT INFRINGEMENT CLAIMS

DYLAN RUGA

I. INTRODUCTION ................................................................................................. 664
II. THE EQUITABLE DEFENSE OF LACHES .................................................. 666
   A. Lack of Diligence by Plaintiff ................................................................. 666
   B. Prejudice to Defendant .............................................................................. 667
III. CIRCUIT SPLIT ............................................................................................. 667
   A. Ninth Circuit ............................................................................................. 667
       1. Delay ...................................................................................................... 668
       2. Prejudice ............................................................................................... 669
   B. Fourth Circuit ............................................................................................. 669
IV. HISTORY OF LAW AND EQUITY .......................................................... 670
V. SEPARATING LEGAL VS. EQUITABLE COPYRIGHT CLAIMS .............. 672
   A. Section 502: Injunctions .......................................................................... 672
   B. Section 503: Impoundment / Destruction of Infringing Articles ............ 673
   C. Section 504: Actual Damages and Profits or Statutory Damages .......... 674
       1. Section 504(b): Actual Damages and Profits ...................................... 675
          a. Chauffeurs v. Terry ........................................................................... 675
          b. Feltner v. Columbia Pictures ............................................................. 676
          c. Terry Prong 1: The Nature of the Issues Involved ......................... 678
          d. Terry Prong 2: The Remedy Sought ................................................. 679
          e. Conclusion ....................................................................................... 680
       2. Section 504(c): Statutory Damages ...................................................... 680
   D. Section 505: Costs and Attorney’s Fees ................................................. 681
   E. Summary .................................................................................................... 683
VI. CONCLUSION ................................................................................................. 684

* J.D., UCLA School of Law, Order of the Coif. Special thanks to David Nimner, whose guidance and supervision of this article was invaluable. Thanks also to Jeffrey C. Briggs, who provided help in editing, and whose assignment provided the impetus for this unique topic. Finally, I am thankful to the staff of Nova Law Review for their hard work in preparing this paper for publication.
I. INTRODUCTION

Copyright owners are given exclusive rights to their original work. These rights mean nothing, however, if the copyright owner cannot enforce them by suing an infringer. Accordingly, Congress has determined that the owner of exclusive rights has three years in which to bring an action for infringement. But what if the copyright owner, aware of the infringement, remains silent and waits to see how successful the infringer’s work is before bringing his claim? Should the equitable doctrine of laches preclude such a claim in order to protect a prejudiced defendant, even if ultimately the claim is brought within the statutory period?

The Ninth Circuit Court of Appeals, in Danjaq LLC v. Sony Corporation, has answered in the affirmative, holding that some copyright owners have less than three years to bring their infringement claim. In Danjaq, the court, concerned more with the prejudice caused to the defendant than the rights of the plaintiff, disregarded the applicable three-year statute of limitations established by Congress and instead held that laches is available as a defense even to a statutorily timely claim.

The Fourth Circuit, the only other circuit to confront the issue, reached the opposite result and rejected the idea that laches can be used as a defense to an infringement claim brought within the statutory period. In Lyons Partnership, the court held that laches was not available because it is an equitable doctrine that is inapplicable to an action at law, and its use would violate the doctrine of separation of powers since Congress already has established the limitations period.

The circuit courts’ wholesale acceptance or rejection of laches as a defense to timely infringement actions fails to distinguish between the legal and equitable claims available within the copyright context. This paper will analyze the nature of each of the Copyright Act’s remedies under the United States Supreme Court’s analysis established in Chauffeurs, Teamsters & Helpers Local No. 391 v. Terry, and will conclude that laches only should preclude equitable remedies. This approach results in the fairest adjudication of copyright infringement claims because a prejudiced defendant escapes

3. 263 F.3d 942, 954 (9th Cir. 2001).
4. Id. at 954-55.
6. Id.
7. See generally id.
THE ROLE OF LACHES

some liability, but the plaintiff retains the right to recourse through available legal claims. This is a rational result because, while the plaintiff has delayed in bringing his claim, it nevertheless was filed within the limitations period.

Part I of this paper examines the defense of laches and its elements. Part II explores the current circuit split created by the Fourth and Ninth Circuits and demonstrates how both courts took an all-or-nothing approach to laches within the copyright context, either accepting or rejecting it wholesale. Part III takes a brief look at the history of law and equity in the United States and explains that the United States Supreme Court traditionally has permitted equitable defenses to defeat equitable, but not legal, claims. Finally, Part IV analyzes each of the remedies under the Copyright Act, characterizes them either as legal or equitable, and concludes that laches should preclude only the latter claims.

II. THE EQUITABLE DEFENSE OF LACHES

A. Lack of Diligence by Plaintiff

To successfully assert a laches defense, a defendant must first demonstrate that the plaintiff remained silent after learning that his legal rights had been violated. Courts often divide this prong into two separate inquiries: 1) whether there was a delay; and 2) whether the delay was unreasonable.

Whether the plaintiff has delayed in filing his claim depends on when the “clock” began to run. Unlike the statute of limitations, which precludes claims filed three years after the infringement occurs, the clock begins to run for purposes of laches when the plaintiff knew or should have known about the claim. Accordingly, if a plaintiff could not have known about a claim until after the statutory period, the claim may be barred by the statute of limitations but permitted by laches. Conversely, a plaintiff may be barred by laches but not by the statute of limitations if he was aware of, or should have been aware of, an impending infringement. The United States Supreme Court has explained that this discrepancy between laches and the statute of limitations is because:

11. See Danjaq, 263 F.3d at 952.
15. Kling, 225 F.3d at 1038.
[e]quity eschews mechanical rules; it depends on flexibility. Eq-

uity has acted on the principal that "laches is not like limitation, a

mere matter of time; but principally a question of the inequity of

permitting the claim to be enforced—an inequity founded upon

some change in the condition or relations of the property or the


Whether a particular delay is reasonable depends on its cause.\footnote{Danjaq LLC v. Sony Corp., 263 F.3d 942, 954 (9th Cir. 2001).} Courts have determined, for example, that a delay was reasonable where it was neces-

sary to: exhaust administrative remedies; evaluate and prepare a complic-

ated claim; and determine whether the cost of litigation was justified by the infringement.\footnote{Id.} On the other hand, delay is unreasonable if its "purpose is to capitalized on the value of the alleged infringer’s labor, by determining whether the infringing conduct will be profitable."\footnote{Id. (citing Haas v. Leo Feist, Inc., 234 F. 105, 108 (S.D.N.Y. 1916)).} Indeed, as Judge Learned Hand explained in one of the most oft-cited copyright passages:

[i]t must be obvious to every one familiar with equitable principles that it is inequitable for the owner of a copyright, with full notice of an intended infringement, to stand inactive while the proposed infringer spends large sums of money in its exploitation, and to intervene only when his speculation has proved a success. Delay under such circumstances allows the owner to speculate without risk with the other’s money; he cannot possibly lose, and he may win.\footnote{Haas, 234 F. at 108.}

\textit{Hayward v. National Bank}\footnote{96 U.S. 611 (1877).} provides a pertinent example of unreasonable delay.\footnote{Id. at 617–18.} In that case, the United States Supreme Court relied on laches to reject the appellant’s argument that his bank should not have foreclosed on stock that appellant had used as collateral to secure a loan.\footnote{Id. at 615–17.} Before foreclosing, the appellant waited until the stock’s value had risen substantially.\footnote{Id. at 615–17.} Justice Harlan, after considering the appellant’s lack of diligence, concluded that laches applied, and that the claim could not stand because the appellant

\footnote{Id. at 617–18.}
“remained silent when he should have spoken. He will not be heard now, when he should be silent.”25

B. Prejudice to Defendant

Unreasonable delay is not enough to preclude a claim on the basis of laches; the defendant also must have been prejudiced by the delay.26 There are two main forms of prejudice: evidentiary and expectations-based.27 The former is concerned with “such things as lost, stale, or degraded evidence, or witnesses whose memories have faded or who have died.”28 On the other hand, a defendant may demonstrate the latter by showing that he acted in certain ways based on the assumption that he would not be sued, and that he would have acted differently if the plaintiff had filed the claim promptly.29

III. CIRCUIT SPLIT

A. Ninth Circuit

In Danjaq LLC v. Sony Corp., Danjaq argued that it had been transferred the rights to the James Bond films by Ian Fleming, who created the James Bond character.30 The appellant, McClory, however, contended that he owned rights to the films because he adapted Fleming’s unmemorable Bond for the screen, and through his own creativity, had established the recognizable movie character that ultimately became successful.31

Fleming had discussions with McClory about creating a James Bond movie in the late 1950s and worked with him to create a screenplay based on his unwritten but upcoming novel titled Thunderball.32 McClory argued that the Bond character developed for the Thunderball screenplay differed from Fleming’s earlier descriptions.33 Fleming subsequently wrote the Thunderball novel and took credit as the sole author, without mentioning McClory.34 Danjaq, also looking to make James Bond films, in 1961 commissioned a

25. Id. at 617.
26. Danjaq, 263 F.3d at 955.
27. Id.; Nimmer I, supra note 10, §12.06[B][3].
29. Id.
30. Id. at 947.
31. Id.
32. Id. at 948.
33. Danjaq, 263 F.3d at 948.
34. Id.
writer to write the Thunderball screenplay.\textsuperscript{35} Danjaq eventually released numerous Bond films, all of which, McClory argued, infringed his original description of Bond in the Thunderball screenplay he had created.\textsuperscript{36}

Danjaq filed suit in 1998, and McClory responded with counterclaims.\textsuperscript{37} The parties settled all issues before trial except for the issue of Danjaq’s alleged infringement of McClory’s cinematic Bond, for which McClory sought damages and Danjaq’s profits.\textsuperscript{38} Danjaq responded that McClory’s infringement claim was barred by laches.\textsuperscript{39}

1. Delay

The court held that McClory unreasonably delayed in filing his claim.\textsuperscript{40} The time between when McClory should have known of his claims (i.e., when the films were released) and when he brought suit ranged from nineteen to thirty-six years, a length of time that the court determined “[b]y any metric . . . is more than enough.”\textsuperscript{41} This delay was unreasonable because McClory had no justification for his tardiness.\textsuperscript{42} “This is not a case,” the court noted, “of secret computer code, but of eighteen publicly-released, widely-distributed movies . . . .”\textsuperscript{43}

McClory also argued that the recent re-release of James Bond films on DVD infringed his copyright and should not be barred by laches.\textsuperscript{44} The court rejected this claim, however, and noted that “[w]here, as here, the allegedly infringing aspect of the DVD is identical to the alleged infringements contained in the underlying movie, then the two should be treated identically for purposes of laches.”\textsuperscript{45} Thus, by precluding McClory’s claim based on the infringing DVDs, the court made clear that laches sometimes may bar a claim filed within the statutory period.\textsuperscript{46}

\textsuperscript{35} \textit{Id.}
\textsuperscript{36} \textit{Id.} at 948–50.
\textsuperscript{37} \textit{Id.} at 949.
\textsuperscript{38} \textit{Danjaq}, 263 F.3d at 949.
\textsuperscript{39} \textit{Id.} at 950.
\textsuperscript{40} \textit{Id.} at 952–53.
\textsuperscript{41} \textit{Id.} at 952.
\textsuperscript{42} \textit{Id.} at 954.
\textsuperscript{43} \textit{Danjaq}, 263 F.3d at 954.
\textsuperscript{44} \textit{Id.} at 953.
\textsuperscript{45} \textit{Id.}
\textsuperscript{46} \textit{Id.} at 954. The Ninth Circuit recently held that a plaintiff, who brings his claim within three years of the time that he knew or should have known of the infringement, is not precluded from recovering damages outside of the three-year statutory window. \textit{Polar Bear Prods., Inc. v. Timex Corp.}, 384 F.3d 700, 705–06 (9th Cir. 2004). This situation is similar to,
2. Prejudice

The Ninth Circuit determined that Danjaq established both evidentiary and expectations-based prejudice. The former was satisfied because many of the people involved in the creation of the Bond films had died and many of the relevant records were missing. Danjaq demonstrated the latter by showing that it had invested roughly one billion dollars in the Bond films, which presumably it would not have done if McClory had brought his claim sooner.

B. Fourth Circuit

As opposed to the Ninth Circuit's holding, the Fourth Circuit, in Lyons Partnership v. Morris Costumes, Inc., held that laches never can bar a statutorily timely claim. The plaintiff in Lyons owned the copyright to Barney (the purple dinosaur) and sought, through its claim for injunctive relief and damages, to prevent the defendant from marketing look-alike costumes of the "well-stuffed Tyrannosaurus."

The district court found that the defendant had infringed the plaintiff's copyright in Barney; however, it held that—even though some infringement occurred within the limitations period—all of the claims were barred by the statute of limitations and laches because the plaintiff knew of the infringements more than four years before bringing suit. The Fourth Circuit disagreed and held that, where there is an express statute of limitations, the separation of powers would be offended if laches, a judicially-created timeliness rule, barred claims brought within the statutory period.

The Lyons court rejected wholesale the idea that laches can bar a timely copyright infringement claim. Indeed, the court stated that "when Congress creates a cause of action and provides both legal and equitable remedies, its but different from, the facts of Danjaq, where the plaintiff brought his claim more than three years after he should have known of the alleged infringement. Danjaq, 384 F.3d at 953.

47. Danjaq, 263 F.3d at 955.
48. Id. at 955–56.
49. Id. at 956.
50. 243 F.3d 789 (4th Cir. 2001).
51. Id. at 798. "[W]hen considering the timeliness of a cause of action brought pursuant to a statute for which Congress has provided a limitations period, a court should not apply laches to overrule the legislature's judgment as to the appropriate time limit to apply for actions brought under the statute.” Id.
52. Id. at 794–95.
53. Id. at 796–97.
54. Lyons P'ship, 243 F.3d at 797.
55. Id. at 798.
statute of limitations for that cause of action should govern, regardless of the remedy sought.” 56 Therefore, under Lyons, laches never is available as a defense to preclude timely infringement claims—equitable or legal—because Congress has created an express statute of limitations.57

IV. HISTORY OF LAW AND EQUITY

Although the United States Supreme Court has never specifically addressed whether laches is available as a defense to copyright infringement actions, it has confronted the issue of whether laches can defeat certain other legal and equitable claims where a federal statute of limitations exists.58 To understand the implications of the Court’s holdings more completely, however, it is necessary to digress briefly into the history of law and equity in the United States.

Simply stated, the distinction between legal and equitable claims is based on the remedies available to the plaintiff.59 A plaintiff seeking equitable relief usually is asking the court to order the defendant to do or not do something.60 On the other hand, legal relief usually is an order by the court stating that the plaintiff is entitled to something, such as monetary damages.61 The distinction between legal and equitable claims is critical because only plaintiffs who assert the former are guaranteed a jury trial by the Seventh Amendment.62

The division of law and equity courts began in England during the thirteenth and fourteenth centuries.63 As the law courts increasingly became less willing to grant equitable relief, plaintiffs began to seek redress by taking their cases directly to the King.64 The King in turn directed plaintiffs to the chancellor,65 who was next in line after the King as the most powerful governmental officer and to whom many looked as the “government’s leading

56. Id.
57. Id.
60. Id.
61. Id.
62. Id. at 12.
63. Id. at 3.
64. LEAVELL ET AL., supra note 59, at 3–4.
65. Id. at 3–4.
moral authority." According to the author, equitable claims began to be heard in Chancery (the chancellor’s court) and were resolved with flexibility, based on notions of fairness rather than the rigidity that characterized law courts.

The American colonies adopted the English bifurcated court system; however, by the eighteenth century there was a movement to merge law and equity for procedural purposes, because Americans were skeptical of equity’s shortcomings. For example, Americans complained that equity courts did not have jury trials, colonial governors abused their powers as chancellors, and the equity court system was too similar to the royalist English Court of Chancery.

The merger of law and equity was accomplished primarily as a result of the Federal Rules of Civil Procedure, which, as adopted in 1938, state that “[t]here shall be one form of action to be known as ‘civil action.’” Since then, the United States Supreme Court has grappled with the role of legal defenses to equitable claims and vice versa. While some confusion still remains, the Court has settled many of these issues definitively. For example, the Court consistently has permitted equitable defenses to defeat equitable claims brought within the applicable statute of limitations. Illustratively, in Holmberg v. Armbrecht, the Court stated that “[a] suit in equity may fail though ‘not barred by the act of limitations’” because “[e]quity eschews mechanical rules; it depends on flexibility.”

What about equitable defenses to legal claims? In 1985, many years after the merger of law and equity, the United States Supreme Court affirmatively rejected the idea, declaring “that application of the equitable defense of laches in an action at law would be novel indeed.”

Thus, it is clear that laches, an equitable defense, can defeat equitable—but not legal—claims. In the copyright context, where both legal and equitable remedies are available, it is not enough to wholly accept or reject la-
NOVA LA W REVIEW

It is necessary to parse out the remedies and permit laches to prevent equitable, but not legal, claims. The next section of this article attempts to do just that by analyzing each copyright remedy under the Supreme Court's two-prong test, established in *Terry*, to determine its legal or equitable nature.

**V. SEPARATING LEGAL VS. EQUITABLE COPYRIGHT CLAIMS**

It is easy enough to conclude that laches can bar copyright infringement actions where equitable, but not legal, relief is sought. What is more difficult, however, is determining which of the Copyright Act's remedies are legal and which are equitable. As Justice Brennan observed, "'[t]he fact is . . . that there are, for the most part, no such things as inherently 'legal issues' or inherently 'equitable issues.' There are only factual issues, and, 'like chameleons [they] take their color from surrounding circumstances.'"78

Chapter 5 of the Copyright Act contains the remedies available in a copyright infringement action. The available remedies include injunctions,79 impounding and disposal of infringing articles,80 actual damages and profits or statutory damages,81 costs and attorney's fees,82 and seizure and forfeiture of infringing articles to the United States.83

Although tempting, it is not enough simply to apply "the 'general rule' that monetary relief is legal."84 Instead, each remedy must be considered in light of the United State Supreme Court's two-prong test established in *Terry* for determining whether it is legal or equitable, which includes an examination of (1) "the nature of the issues involved," and (2) "the remedy sought."85 The prongs are not weighted equally—the second is more important.86

**A. Section 502: Injunctions**

Under section 502(a) of the Copyright Act, a court "may . . . grant temporary and final injunctions . . . to prevent or restrain infringement of a copy-

---

80. § 503.
81. § 504.
82. § 505.
83. § 509.
86. Id.
THE ROLE OF LACHES

right. As Justice Story explained, injunctions are necessary in the copy-right context because

[i]t is quite plain that if no other remedy could be given in cases of patents and copyrights than an action at law for damages, the in-
ventor or author might be ruined by the necessity of perpetual li-

tigation, without ever being able to have a final establishment of his

Injunctions are the quintessential form of equitable relief, and have been recognized as such in the copyright context. Accordingly, no Terry analysis is necessary since it is clear that injunctions constitute equitable relief.

B. Section 503: Impoundment / Destruction of Infringing Articles

Section 503 gives the court discretion to impound or destroy infringing articles. Courts, recognizing the similarity to injunctive relief, have concluded that the impoundment and/or destruction of infringing articles is an equitable remedy. Indeed, some courts have required the plaintiff to

87. § 502(a).
89. “Of the various coercive equitable remedies, none is as useful and effective as the injunction . . . [which] is perhaps the most widely requested equitable relief.” EDWARD D. RE & JOSEPH R. RE, REMEDIES CASES AND MATERIALS 253 (5th ed. 2000) (emphasis omitted).
91. Similarly, § 509 of the Copyright Act, which permits a court to order seizure and forfeiture of infringing articles to the United States, clearly is equitable and thus does not require analysis under Terry. See 17 U.S.C. § 509(a) (2000).
92. The wording of the statute is permissive, stating that the court “may order” the impoundment or destruction. 17 U.S.C. § 503(a)-(b) (emphasis added); see also NIMMER II, supra note 90, § 14.07[A].
93. § 503.
satisfy the requirements for injunctive relief before issuing an order for impoundment.  

For example, in *WPOW, Inc. v. MRLJ Enterprises*, the plaintiff alleged that the defendant infringed its copyright when the defendant submitted an application to the Federal Communications Commission to erect new radio broadcasting facilities. The plaintiff asked the court to impound all of defendant's infringing material, including the application. The court characterized an order for impoundment as "injunctive in character" and required the plaintiff to demonstrate that he was entitled to injunctive relief before it ordered the impoundment of the defendant's infringing articles.

The discretion given to the courts by the statute and the similarity to injunctive relief compels the conclusion that an order for impoundment and/or destruction of infringing material is equitable in nature.

C. *Section 504: Actual Damages and Profits or Statutory Damages*

The remedy available under section 504 is disjunctive. The plaintiff can elect to take either actual damages and profits or statutory damages, but not both. This choice makes it difficult to classify the remedy as either legal or equitable. Although it may be true that copyright claims for actual and statutory damages generally were tried in courts of law in front of juries (and thus are legal in nature), a *Terry* analysis of an action for the infringer's profits leads to the conclusion that that remedy is equitable in nature.

---

96. *WPOW, Inc.*, 584 F. Supp. at 133.
97. Id.
98. Id. at 135.
99. Id. at 139 (holding that "[s]ince the plaintiff has met the standard for the grant of a preliminary injunction, the Court will issue an order for the impoundment of all of defendants' materials which infringe plaintiffs' engineering report and antenna design").
102. In *Terry*, the Court characterized the damages as legal because the respondent did not contain attributes which would create an exception to the general rule. Chauffeurs, Teamsters & Helpers Local No. 391 v. Terry, 494 U.S. 558, 570–71 (1990). However, the Court "characterized damages as equitable where they are restitutionary, such as in 'action[s] for disgorgement of improper profits.'" *Id.*
1. Section 504(b): Actual Damages and Profits

If a plaintiff were entitled merely to actual damages, it would be clear that he would be seeking legal relief.\textsuperscript{103} Under section 504, however, a plaintiff is entitled to actual damages and the defendant's profits.\textsuperscript{104} It is unclear whether recovery of the defendant's profits is a legal or equitable remedy; the United States Supreme Court has never confronted the issue directly, but in dicta outside the copyright context has stated that it is equitable and—inconsistently—later stated that it is legal.\textsuperscript{105} The determination of whether an action for the defendant's profits is legal or equitable thus requires an application of the Court's two-prong test set forth in \textit{Terry}.\textsuperscript{106}

a. Chauffeurs v. Terry

In \textit{Chauffeurs, Teamsters & Helpers Local No. 391 v. Terry}, decided in 1990, the plaintiffs sought a jury trial on the issue of whether they were owed backpay for "a union's alleged breach of its duty of fair representation."\textsuperscript{107} The Court recognized that a jury trial is required under the Seventh Amendment where legal rights are at stake,\textsuperscript{108} and ultimately held that the plaintiffs' action for backpay was legal in nature.\textsuperscript{109}

In reaching its conclusion, however, the Court noted that it never has held that "any award of monetary relief must necessarily be 'legal' relief."\textsuperscript{110} Instead, the Court explained that it will characterize remedies "as equitable where they are restitutionary, such as in 'action[s] for disgorgement of improper profits.'"\textsuperscript{111} Thus, it follows that, under \textit{Terry}, a copyright infringement action that seeks disgorgement of the defendant's profits under Section 504(b) is an equitable remedy.\textsuperscript{112}

\textsuperscript{103} Curtis v. Loether, 415 U.S. 189, 196 (1974); NIMMER I, supra note 10, § 12.10[A], at 12-178 (stating that "it is beyond dispute that a plaintiff who seeks to recover actual damages is entitled to a jury trial").
\textsuperscript{104} 17 U.S.C. § 504(b) (2000). Although the plaintiff is entitled to recover the defendant's profits, they are recoverable "only if, and to the extent that, such profits have not already been 'taken into account in computing the actual damages.'" NIMMER II, supra note 91, § 14.01[A], at 14-5 (quoting § 504(b)).
\textsuperscript{105} \textit{See Terry}, 494 U.S. at 570-71.
\textsuperscript{106} \textit{See id.} at 565.
\textsuperscript{107} \textit{Id.} at 561.
\textsuperscript{108} \textit{Id.} at 564-65.
\textsuperscript{109} \textit{Id.} at 573.
\textsuperscript{110} \textit{Terry}, 494 U.S. at 570 (quoting \textit{Tull v. United States}, 481 U.S. 412, 424 (1987)).
\textsuperscript{111} \textit{Id.}
\textsuperscript{112} \textit{Id.} at 570-71.
b. Feltner v. Columbia Pictures

Eight years after Terry, the Court decided Feltner v. Columbia Pictures Television, Inc. In Feltner, the plaintiff argued that the defendant had infringed its copyright by televising certain shows without authorization. The plaintiff chose to receive statutory damages under section 504(c), and the question for the Supreme Court was whether the plaintiff should be entitled to a jury trial. The Court was unable to "discern 'any congressional intent to grant . . . the right to a jury trial," so it engaged in constitutional analysis and ultimately concluded that the Seventh Amendment requires "a jury trial on all issues pertinent to an award of statutory damages."

Prior to engaging in its constitutional analysis, however, the Feltner court examined the language of section 504(c) that permits an award of statutory damages to be made "in an amount that 'the court considers just.'" It determined that the word "court" meant judge, not jury, and thus implied that no trial was necessary to determine statutory damages. In reaching this conclusion, the Court compared the language of section 504(c) to section 504(b)—awards of actual damages and profits—which it stated "generally are thought to constitute legal relief."

The Court's dicta in Feltner that actual damages and profits constitute legal relief contradicts its statement in Terry and thus deserves further consideration. The statement was supported by three cases and the Nimmer treatise, none of which stands directly for the proposition asserted. Indeed, none of the authorities relied on by the Court distinguishes between actions for actual damages and actions for the infringer's profits, and only one of the three cases involved a copyright dispute. Accordingly, there is no reason to believe that this issue was considered by any of the sources on which the Court relied.

114. Id. at 342-43.
115. Id. at 342.
116. Id. at 345 (quoting Tull, 481 U.S. at 417 n.3 (1987)).
117. Id. at 355.
118. Feltner, 523 U.S. at 345 (quoting 17 U.S.C.§ 504(c)(1)).
119. Id. at 346 (contrasting the Copyright Act which "does not use the term 'court' in the subsection addressing awards of actual damages and profits . . . which generally are thought to constitute legal relief").
120. Id.
121. Id.
122. See id.
123. Dairy Queen, Inc. v. Wood, 369 U.S. 469 (1962); Video Views, Inc. v. Studio 21, Ltd., 925 F.2d 1010 (7th Cir. 1991); Arnstein v. Porter, 154 F.2d 464 (2d Cir. 1946); NIMMER I, supra note 10, § 12.10[B].
The first case cited by the Court, Dairy Queen, Inc. v. Wood, concerned a trademark infringement. The Court in Dairy Queen held that “an action for damages based upon a charge of trademark infringement . . . [is] subject to cognizance by a court of law.”

Dairy Queen does not necessarily support the conclusion in Feltner that an action for the defendant’s profits under the Copyright Act is legal in nature. Besides the obvious observation that Dairy Queen interpreted the Lanham Act and not the Copyright Act, the statement in Dairy Queen is not limited solely to the defendant’s profits—it speaks to “an action for damages” based on trademark infringement, which can include lost profits, actual damages, an accounting of the infringer’s profits, attorneys’ fees, and/or the costs of the action. Thus, it is impossible to conclude whether the Dairy Queen Court even considered the narrower issue of whether an action for the infringer’s profits was legal in nature, or whether the court merely made a general statement without considering the different damages available for a trademark infringement.

For similar reasons, the second case cited in Feltner, Arnstein v. Porter, also is inapposite. In that case, the plaintiff brought a copyright infringement action seeking “damages” and a jury trial. The defendant argued that a jury trial was inappropriate; the court disagreed and, analogizing the claim to one brought under the 1890 Sherman Act, held that “an action for treble damages . . . is triable at ‘law’ and by a jury as of right.” As is the case in Dairy Queen, it is unclear what type of damages were at issue in Arnstein, and thus it is impossible to determine whether the plaintiff was seeking the defendant’s profits. Moreover, Arnstein’s analogy to the Sherman Act may be instructive as to whether claims for actual damages are triable by jury, but sheds no light on whether a claim for the defendant’s profits is equitable or legal in nature.

124. Dairy Queen, 369 U.S. at 469.
125. Id. at 477.
126. Id.
128. Arnstein, 154 F.2d at 464.
129. Id. at 467. It is unclear what type of damages the plaintiff sought to recover. Id.
130. Id. at 468. Arnstein interpreted the Sherman Act of 1890 which provides that “[a]ny person who shall be injured . . . by reason of anything forbidden or declared to be unlawful by this act, may sue therefor . . . and shall recover three fold the damages by him sustained, and the costs of suit, including a reasonable attorney’s fee.” Sherman Act of 1890, ch. 647, § 7, 26 Stat. 210 (1890).
131. Arnstein, 154 F.2d at 464.
132. Id.
The final case cited in *Feltner* to support the conclusion that an action for the defendant's profits is legal in nature is *Video Views, Inc. v. Studio 21, Ltd.* 133 Like the other two cases, the Court's reliance on *Video Views* is misplaced. *Video Views* states "that the right to a jury trial exists in a copyright infringement action when the copyright owner endeavors to prove and recover its actual damages . . . ." 134 *Video Views* says nothing about an action for the defendant's profits; indeed, it emphasized that the court was concerned only with actual damages. 135

In addition to the three cases discussed above, the *Feltner* court relied on a statement in the Nimmer treatise that "it is beyond dispute that a plaintiff who seeks to recover actual damages is entitled to a jury trial." 136 This statement, like all of the other authorities cited, applies only to actual damages and does not address the nature of an action for the defendant's profits. 137

Thus, it is clear that the Court's dicta in *Feltner* contradicted its statement in *Terry*, but was unsupported by the authority it relied upon. An unsupported assertion, however, is not necessarily inaccurate. In light of the Court's inconsistency regarding the nature of claims for an infringer's profits, it is necessary to apply *Terry*'s two-prong test to characterize the remedy as either legal or equitable in nature.

c. *Terry Prong 1: The Nature of the Issues Involved*

The first prong in the Court's analysis to determine the nature of an action is to "compare the statutory action to 18th-century actions brought in the courts of England prior to the merger . . . of law and equity." 138 In *Feltner*, the Court reviewed the history of copyright infringement actions in this country. 139 It noted that prior to the ratification of the Seventh Amendment, in both America and England, copyright infringement suits that sought "monetary damages were tried in courts of law, and thus before juries." 140 While this may be accurate, the Copyright Acts of 1790 141 and 1831 142 do not

133. *Video Views*, 925 F.2d at 1010.
134. Id. at 1014 (citing *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946)).
135. *See id.*
137. *See id.*
140. *Id.* at 348–49.
142. Copyright Act of 1831, ch. XVI, 4 Stat. 436 (1831).
specifically provide for recovery of the defendant's profits.\footnote{143} It was not until the Copyright Act of 1909 that a plaintiff was entitled to recover “all the profits which the infringer shall have made from such infringement.”\footnote{144} Thus, the observation that copyright claims for monetary damages traditionally were tried before juries does not resolve whether a claim for an infringer’s profits was considered legal or equitable in England during the eighteenth century.

d. Terry Prong 2: The Remedy Sought

The second prong of the Court’s analysis looks at the nature of the remedy sought.\footnote{145} This prong is more important than the first\footnote{146} and “should not replicate the ‘abstruse historical’ inquiry of the first part.”\footnote{147}

In Terry, the Court explained that while an action for monetary damages was “the traditional form of relief offered in the courts of law,”\footnote{148} damages will be characterized as equitable if they are restitutory.\footnote{149} The goal of restitution is to prevent “the unjust enrichment of one person at the expense of another.”\footnote{150} Put differently, restitution is limited to “restoring the status quo and ordering the return of that which rightfully belongs to the [plaintiff].”\footnote{151} An action to recover an infringer’s profits thus clearly is restitutory because the defendant merely returns profits that rightfully belong to the plaintiff, and it follows that such an action should be characterized as equitable in nature.\footnote{152}

\begin{itemize}
\item \footnote{143} Both Acts allowed the plaintiff to recover “all damages occasioned by such injury,” but neither Act specifically made available the infringer’s profits. See § 6, 1 Stat. at 124; § 9, 4 Stat. at 436.
\item \footnote{144} Copyright Act of 1909, ch. 320, § 25, 35 Stat. 1075, 1081 (1909).
\item \footnote{145} Terry, 494 U.S. at 565.
\item \footnote{146} Id.
\item \footnote{147} Id. at 571 n.8.
\item \footnote{148} Id. at 570 (quoting Curtis v. Loether, 415 U.S. 189, 196 (1974)).
\item \footnote{149} Id.
\item \footnote{150} BALLENTINE’S LAW DICTIONARY 1107 (3d ed. 1969).
\item \footnote{152} The equitable character of restitution also is evidenced by the fact that constructive trusts—which clearly are equitable—sometimes are placed on a defendant’s profits when restitution is ordered. See LEAVELL ET AL., supra note 59, at 393 (explaining that “[a] constructive trust is an equitable remedy because it is an in personam order from the court to the defendant to convey the defendant’s gain to the plaintiff”). Cf., Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 259 (1916) (noting that, in a trademark infringement action, “[t]he infringer is required in equity to account for and yield up his gains to the true owner, upon a principle analogous to that which charges a trustee with the profits acquired by wrongful use of the property of the cestui que trust”); George Basch Co. v. Blue Coral, Inc., 968
\end{itemize}
e. Conclusion

While it is understandable that courts and commentators have interpreted the Court's dicta in *Feltner* to require a jury trial for a copyright action seeking an infringer's profits, the Court's statement was wholly unsupported by any relevant authority and was inconsistent with its earlier conclusion in *Terry*. Further scrutiny of the remedy under the *Terry* analysis leads to the conclusion that a copyright infringement action seeking an infringer's profits is equitable.

Recall that a plaintiff has the right under section 504(b) to recover actual damages and profits. As the foregoing analysis demonstrates, claims of actual damages are legal in nature; however, recovery of the infringer's profits is equitable. Thus, a plaintiff who has unreasonably delayed in bringing his claim and thereby has prejudiced the defendant should be precluded from recovering the defendant's profits, and be limited under section 504(b) to recovering his actual damages. This is a just result since presumably the defendant would not have continued his infringing activity had the plaintiff brought the claim earlier.

2. Section 504(c): Statutory Damages

Although lower courts have differed about whether an award of statutory damages is a legal or equitable remedy, the United States Supreme Court has held that statutory damages are legal.
THE ROLE OF LACHES

Court affirmatively has characterized it as legal.\textsuperscript{161} Accordingly, no \textit{Terry} analysis is necessary.

In \textit{Feltner}, the Court applied a modified \textit{Terry} analysis and stated that statutory damages are a legal remedy and thus require a jury trial under the Seventh Amendment.\textsuperscript{162} Under the first prong of the \textit{Terry} analysis, which considers the historical context of the remedy, the Court observed that "[t]he practice of trying copyright damages actions at law before juries was followed in this country, where statutory copyright protections were enacted even before adoption of the Constitution."\textsuperscript{163}

With respect to the second prong of the \textit{Terry} analysis, the Court noted that "an award of statutory damages may serve purposes traditionally associated with legal relief, such as compensation and punishment."\textsuperscript{164} Accordingly, based on the history of similar claims and on the nature of the remedy sought, the Court characterized statutory damages as legal in nature.\textsuperscript{165}

D. \textit{Section 505: Costs and Attorney’s Fees}

Section 505 permits a court, in its discretion, to award costs and attorneys’ fees to the prevailing party in a copyright dispute.\textsuperscript{166} Although some courts recently have implied that both awards of costs and attorneys’ fees are equitable in nature,\textsuperscript{167} the issue has not been addressed by the United States Supreme Court. It follows that an analysis under \textit{Terry} is required.

The first prong of \textit{Terry}—the nature of the issues involved—favors a conclusion that costs and attorneys’ fees are legal remedies.\textsuperscript{168} Although courts in England generally had authority to award costs to prevailing plain-

\textsuperscript{162} \textit{Id.} at 355.
\textsuperscript{163} \textit{Id.} at 350.
\textsuperscript{164} \textit{Id.} at 352.
\textsuperscript{165} \textit{Id.} at 355.

may be entitled, subject to “equitable principles,” to . . . costs . . . the availability of a costs remedy, by itself, provides no basis for a constitutionally mandated jury right. Costs are merely incidental to and intertwined with other available remedies. Thus, where the other available remedies are wholly equitable, costs are also an equitable remedy.

\textit{Id.}
tiffs as early as 1278, such was not the case in this country within the copyright context until the twentieth century. Indeed, the Copyright Act of 1790 was devoid of any provision granting costs or fees to the prevailing party. The Copyright Act of 1831 was the first version that permitted a plaintiff to recover his costs; however, it was stated in mandatory terms, without leaving discretion to the courts. It was not until the adoption of the Copyright Act of 1909 that Congress included a provision for both costs and attorneys' fees. The 1909 Act maintained the mandatory award of costs, but made attorneys' fees permissive. The current iteration of the Copyright Act, adopted in 1976, copied verbatim the permissive language relating to attorneys' fees, but changed the language pertaining to costs from mandatory to permissive. In short, an award of costs was not included in the 1790 Act and, once provided for in 1831, was mandatory until the 1976 Act; attorneys' fees, on the other hand, were not available until 1909 and always have been permissive. It follows that the nature of these remedies—as viewed from the first prong of the Terry analysis, which considers historical context—are legal because they were unknown within the copyright context until 1831 and were mandatory until 1909.

The second and more important prong of the Terry analysis, which examines the remedy sought, leads to the opposite conclusion—that an award

---

171. See Copyright Act of 1831, ch. XVI, § 12, 4 Stat. 436 (1831) (stating that "in all recoveries under this act, either for damages, forfeitures, or penalties, full costs shall be allowed thereon, any thing in any former act to the contrary notwithstanding") (emphasis added).
174. “[I]n all actions, suits, or proceedings under this Act, except when brought by or against the United States or any officer thereof, full costs shall be allowed, and the court may award to the prevailing party a reasonable attorney’s fee as part of the costs.” (emphasis added). § 12, 35 Stat. at 1084.
176. 17 U.S.C. § 505 (2000) (setting forth “the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof . . . [and] may also award a reasonable attorney’s fee to the prevailing party as part of the costs”); see also Fogerty v. Fantasy, Inc., 510 U.S. 517, 523 n.10 (1994).
177. NIMMER II, supra note 90, § 14.09.
178. The mandatory nature of costs and attorneys’ fees leads to the conclusion that, historically, these were legal remedies because the court had no discretion in awarding them. See Raydiola Music v. Revelation Rob, Inc., 729 F. Supp. 369, 376 (D. Del. 1990) (noting that discretion given to courts is a “hallmark of equity”).
of costs and attorneys’ fees is equitable.\textsuperscript{179} Recall that not all monetary awards are legal in nature.\textsuperscript{180} To the contrary, the wide discretion given to courts to award costs and attorneys’ fees\textsuperscript{181} compels the conclusion that they are equitable remedies. Granted, these remedies are not easily labeled “restitutionary”\textsuperscript{182} because they do not prevent unjust enrichment;\textsuperscript{183} however, they are awards of reimbursement and thus are more restitutionary than compensatory.\textsuperscript{184} The equitable nature of the relief does not change merely because it is authorized by statute.\textsuperscript{185}

Although the first and second prongs of the Terry analysis lead to opposite results, the conclusion that costs and attorneys’ fees are equitable must follow. The United States Supreme Court has emphasized that the weight given to the second factor is much greater than that given to the first; indeed, the Court itself has rested its conclusion solely on the basis of the second factor when the first factor has left it “in equipoise.”\textsuperscript{186}

E. Summary

Based on the foregoing analysis, the remedies available under the Copyright Act should be characterized as follows:\textsuperscript{187}

<table>
<thead>
<tr>
<th>Section</th>
<th>Remedy</th>
<th>Nature</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 U.S.C. § 502</td>
<td>Injunction</td>
<td>Equitable</td>
</tr>
<tr>
<td>17 U.S.C. § 503</td>
<td>Impoundment and disposal of infringing articles</td>
<td>Equitable</td>
</tr>
<tr>
<td>17 U.S.C. § 504(b)</td>
<td>Actual damages</td>
<td>Legal</td>
</tr>
<tr>
<td></td>
<td>Infringer’s profits</td>
<td>Equitable</td>
</tr>
<tr>
<td>17 U.S.C. § 504(c)</td>
<td>Statutory damages</td>
<td>Legal</td>
</tr>
</tbody>
</table>


\textsuperscript{182} Terry, 494 U.S. at 570 (characterizing “damages as equitable where they are restitutionary”).


\textsuperscript{184} A.G. Becker-Kipnis, 553 F. Supp. at 124.


\textsuperscript{186} Terry, 494 U.S. at 570, 573–74.

### VI. CONCLUSION

The Fourth and Ninth Circuits have created a circuit split regarding the applicability of laches to a timely copyright infringement action.\(^{188}\) Surely, since one permitted laches and the other did not, one of the circuits must have gotten it correct.

Not necessarily. This article presents a third alternative: courts should consider the legal or equitable nature of remedies and permit laches to defeat only the latter. This is consistent with precedent\(^{189}\) and promotes the fairest adjudication of copyright claims by permitting a prejudiced defendant to escape some, but not all, liability.

Although courts of law and equity were separate in the United States for some time, they merged in 1938 as a result of the Federal Rules of Civil Procedure.\(^{190}\) Since that time, the United States Supreme Court has declared that while equitable defenses may preclude equitable claims, their application to legal actions would be “novel indeed.”\(^{191}\) Accordingly, laches should apply only to the equitable remedies available under Chapter 5 of the Copyright Act.

In *Terry*, the Supreme Court established the two-prong test for determining the nature of remedies.\(^{192}\) The first prong considers the historical context of the remedy; the second looks at the nature of the remedy sought to determine its character.\(^{193}\) Application of this test to the remedies available for copyright infringement leads to the conclusion that only actual and statutory damages are legal; the remaining remedies are equitable. Accordingly,

<table>
<thead>
<tr>
<th>17 U.S.C. § 505</th>
<th>Costs and attorneys’ fees</th>
<th>Equitable</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 U.S.C. § 509</td>
<td>Seizure and forfeiture of infringing articles to the United States</td>
<td>Equitable</td>
</tr>
</tbody>
</table>

---

\(^{188}\) *Nimmer I*, supra note 10, § 12.06[B][1].

\(^{189}\) *See County of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 244 n.16 (1985) (stating “that application of the equitable defense of laches in an action at law would be novel indeed”); *White v. Daniel*, 909 F.2d 99, 102 (4th Cir. 1990) (identifying that “[l]aches . . . is properly relevant only where the claims presented may be characterized as equitable, rather than legal”); *Golotrade Shipping and Chartering, Inc. v. Travelers Indem. Co.*, 706 F. Supp. 214, 220 (S.D.N.Y. 1989) (stating that “this is an action at law for damages, therefore, the equitable defense of laches does not apply”).

\(^{190}\) FED. R. CIV. P. 2.

\(^{191}\) *Oneida Indian Nation*, 470 U.S. at 245 n.16.


\(^{193}\) *Id.*
laches should be cognizable as a bar against all of the plaintiff’s remedies except for actual and statutory damages.

As between a plaintiff who unreasonably delayed in filing his claim, and a prejudiced defendant, the latter should receive more protection. The plaintiff is not left without recourse, however, for he can opt under section 504 to recover actual or statutory damages.\footnote{An action for the defendant’s profits, normally available under section 504 in addition to the plaintiff’s actual damages, is an equitable remedy and thus precluded by laches.} This result appears not only to be correct, but, well, equitable.