



1-2014

## Scholars' Supreme Court Amicus Brief in Support of Neither Party: *Petrella v. Metro-Goldwyn-Mayer*

Douglas Laycock

University of Virginia School of Law, [dlaycock@virginia.edu](mailto:dlaycock@virginia.edu)

Mark P. Gergen

University of California - Berkeley, [mgergen@law.berkeley.edu](mailto:mgergen@law.berkeley.edu)

Doug Rendleman

Washington and Lee University School of Law, [rendlemand@wlu.edu](mailto:rendlemand@wlu.edu)

Follow this and additional works at: <https://scholarlycommons.law.wlu.edu/wlufac>

 Part of the [Legal Remedies Commons](#)

---

### Recommended Citation

Scholars' Supreme Court Amicus Brief in Support of Neither Party, *Petrella v. Metro-Goldwyn-Mayer*, No. 12-1315 (U.S. argued Jan 21, 2014).

This Brief is brought to you for free and open access by the Faculty Scholarship at Washington and Lee University School of Law Scholarly Commons. It has been accepted for inclusion in Scholarly Articles by an authorized administrator of Washington and Lee University School of Law Scholarly Commons. For more information, please contact [christensena@wlu.edu](mailto:christensena@wlu.edu).

No. 12-1315

---

**In the Supreme Court of the United States**

---

PAULA PETRELLA,

*Petitioner*

*v.*

METRO-GOLDWYN-MAYER, INC., et al.,

*Respondents*

---

ON WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

---

**BRIEF OF DOUGLAS LAYCOCK, MARK P.  
GERGEN, AND DOUG RENDLEMAN  
AS AMICI CURIAE IN SUPPORT  
OF NEITHER SIDE**

---

DOUGLAS LAYCOCK  
*Counsel of Record*  
University of Virginia  
Law School  
580 Massie Road  
Charlottesville, VA 22903  
dlaycock@virginia.edu  
(434) 243-8546

## TABLE OF CONTENTS

Table of Authorities.....	iii
Interest of Amici.....	1
Summary of Argument.....	1
Argument.....	4
I. This Case Should Not Call into Question the Separate-Accrual Rule. ....	4
II. Laches and Estoppel Protect Substantial and Legitimate Reliance Not Protected by the Separate-Accrual Rule. ....	7
A. In Some Separate-Accrual Cases, Sub- stantial and Legitimate Reliance Is Not Fully Protected by the Separate- Accrual Rule Alone.....	7
B. The Reliance Claim in This Case Is Dubious, but We Take No Position on Its Sufficiency. ....	9
C. Congressional Silence Should Not Be Taken to Repeal Background Principles of Common Law or Equity. ....	13
1. Statutory Text .....	13
2. A Mistaken Inference from Legislative History.....	16
D. Laches or Estoppel Should Apply to Both Legal and Equitable Remedies Under the Copyright Act. ....	18
1. Remedies Under the Copyright Act.....	18
2. Estoppel .....	20
3. Laches .....	23

III. <i>eBay v. MercExchange</i> Casts No Light on This Case.....	26
A. <i>eBay</i> Does Not Preclude Consideration of Relevant Doctrines Not Mentioned in Its Four-Part Test. ....	26
B. The Four-Part Test in <i>eBay</i> Has Had Serious Unintended Consequences. ....	28
Conclusion .....	36
Appendix: Identifying the Amici.....	1a

## TABLE OF AUTHORITIES

### Cases

<i>A.C. Aukerman Co. v. R.L. Chaides Construction Co.</i> , 960 F.2d 1020 (Fed. Cir. 1992) (en banc).....	25
<i>Amoco Production Co. v. Village of Gambell</i> , 480 U.S. 531 (1987) .....	29-30
<i>Ashcroft v. ACLU</i> , 542 U.S. 656 (2004) .....	30
<i>Bay Area Laundry &amp; Dry Cleaning Pension Trust Fund v. Ferbar Corp.</i> , 522 U.S. 192 (1997) .....	4
<i>BFP v. Resolution Trust Corp.</i> , 511 U.S. 531 (1994) .....	15
<i>Board of Trade v. Johnson</i> , 264 U.S. 1 (1924) .....	22
<i>Brown v. Swann</i> , 35 U.S. (10 Pet.) 497 (1836) .....	15
<i>Carson v. Dynegy, Inc.</i> , 344 F.3d 446 (5th Cir. 2003) .....	22
<i>City of Harrisonville v. W.S. Dickey Clay Mfg. Co.</i> , 289 U.S. 334 (1933) .....	33
<i>Cope v. Anderson</i> , 331 U.S. 461 (1947) .....	23
<i>Dairy Queen, Inc. v. Wood</i> , 369 U.S. 469 (1962) .....	19
<i>Danjaq LLC v. Sony Corp.</i> , 263 F.3d 942 (9th Cir. 2001) .....	9
<i>Davis v. The Gap, Inc.</i> , 246 F.3d 152 (2d Cir. 2001) ..	7
<i>Deltak, Inc. v. Advanced Systems, Inc.</i> , 767 F.2d 357 (7th Cir. 1985) .....	7
<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006) .....	ii, 3-4, 26-29, 33-35
<i>Farmer v. Brennan</i> , 511 U.S. 825 (1994) .....	31

<i>Feltner v. Columbia Pictures Television, Inc.</i> , 523 U.S. 340 (1998).....	18-19
<i>Garbitelli v. Town of Brookfield</i> , 987 A.2d 327 (Vt. 2009) .....	21
<i>Geddes v. Mill Creek Country Club, Inc.</i> , 751 N.E.2d 1150 (Ill. 2001).....	21
<i>Glus v. Brooklyn Eastern District Terminal</i> , 359 U.S. 231 (1959).....	17
<i>Hanover Shoe, Inc. v. United Shoe Machinery Corp.</i> , 392 U.S. 481 (1968) .....	4-6
<i>Hecht Co. v. Bowles</i> , 321 U.S. 321 (1944) .....	15
<i>HGI Associates, Inc. v. Wetmore Printing Co.</i> , 427 F.3d 867 (11th Cir. 2005).....	22
<i>Holmberg v. Armbrrecht</i> , 327 U.S. 392 (1946).....	14
<i>Kirk v. Hamilton</i> , 102 U.S. 68 (1880) .....	20-22
<i>Klehr v. A.O. Smith Corp.</i> , 521 U.S. 179 (1997).....	4-6
<i>Kontrick v. Ryan</i> , 540 U.S. 443 (2004).....	17
<i>McAllister v. FDIC</i> , 87 F.3d 762 (5th Cir. 1996).....	17-18
<i>McLean v. Fleming</i> , 96 U.S. (6 Otto) 245 (1877).....	12
<i>Mertens v. Hewitt Associates</i> , 508 U.S. 248 (1993) ..	24
<i>NAACP v. NAACP Legal Defense &amp; Educational Fund, Inc.</i> , 753 F.2d 131 (D.C. Cir. 1985)....	7-8, 10
<i>Nken v. Holder</i> , 556 U.S. 418 (2009) .....	30
<i>Ohio Oil Co. v. Conway</i> , 279 U.S. 813 (1929).....	30
<i>Pennsylvania v. West Virginia</i> , 262 U.S. 553 (1923).....	31

<i>Plymouth Foam Products, Inc. v. City of Becker</i> , 120 F.3d 153 (8th Cir. 1997).....	21
<i>Romero-Barcelo v. Brown</i> , 643 F.2d 835 (1st Cir. 1981) .....	29
<i>Romero-Barcelo v. Brown</i> , 478 F. Supp. 646 (D.P.R. 1979) .....	29
<i>Sebelius v. Auburn Regional Medical Center</i> , 133 S. Ct. 817 (2013).....	17
<i>Sheldon v. Metro-Goldwyn Pictures Corp.</i> , 309 U.S. 390 (1940).....	19-20
<i>Terrace v. Thompson</i> , 263 U.S. 197 (1923).....	32
<i>Twin-Lick Oil Co. v. Marbury</i> , 91 U.S. (1 Otto) 587 (1875) .....	11
<i>Weinberger v. Romero-Barcelo</i> , 456 U.S. 305 (1982).....	15, 29-30
<i>Winter v. Natural Resources Defense Council, Inc.</i> , 555 U.S. 7 (2008).....	30-32
<i>Youngblood v. Auto-Owners Insurance Co.</i> , 158 P.3d 1088 (Utah 2007) .....	21
<i>Zenith Radio Corp. v. Hazeltine Research, Inc.</i> , 401 U.S. 321 (1971).....	4

## **Statutes and Legislative History**

### **Copyright Act**

generally.....	2-3, 6, 13, 16-18, 20, 24
17 U.S.C. §502 (2006) .....	13, 18
17 U.S.C. §503 (Supp. V 2011) .....	18
17 U.S.C. §504(b) (2006) .....	10, 18

17 U.S.C. §504(c) (2006 & Supp. V 2011)...	6, 18-19
17 U.S.C. §507 (2006) .....	24
House Report 85-150.....	14, 16-17
Senate Report 85-1014.....	14, 16-17
Patent Act	
generally .....	13
35 U.S.C. §283 (2006) .....	13

## Secondary Authorities

T. Leigh Anenson, <i>The Triumph of Equity: Equitable Estoppel in Modern Litigation</i> , 27 Rev. Litig. 377 (2008).....	20-21
Dan B. Dobbs, <i>Law of Remedies</i> (2d ed., West 1993).....	12, 21, 31-32
James M. Fischer, <i>Understanding Remedies</i> (2d ed., Matthew Bender 2006) .....	31-33
Mark P. Gergen, <i>Towards Understanding Equi- table Estoppel</i> , in <i>Structure and Justification in Private Law</i> 319 (C.E.F. Rickett & Ross Grantham, eds.) (Oxford 2008) .....	21, 23
Mark P. Gergen, John M. Golden, & Henry E. Smith <i>The Supreme Court's Accidental Revolution? The Test for Permanent Injunctions</i> , 112 Colum. L. Rev. 203 (2012).....	26, 28, 31, 33-34
Douglas Laycock, <i>The Death of the Irreparable Injury Rule</i> (Oxford 1991).....	32, 34
Douglas Laycock, <i>Modern American Remedies</i> (4th ed., Aspen 2010) .....	22, 31



Douglas Laycock, <i>The Neglected Defense of Undue Hardship (and the Doctrinal Train Wreck in Boomer v. Atlantic Cement)</i> , 4 J. Tort Law, Issue 3, Article 3 (2012), available at <a href="http://www.degruyter.com/view/j/jtl.2011.4.issue-3/issue-files/jtl.2011.4.issue-3.xml">http://www.degruyter.com/view/j/jtl.2011.4.issue-3/issue-files/jtl.2011.4.issue-3.xml</a> .....	33
Douglas Laycock, <i>The Triumph of Equity</i> , 56 L. & Contemp. Probs. No. 3, at 53 (Summer 1993) ....	25
Melville B. Nimmer & David Nimmer, <i>Nimmer on Copyright</i> (Matthew Bender 2013).....	18-19
John Norton Pomeroy, <i>A Treatise on Equity Jurisprudence</i> (Bancroft-Whitney, 5th ed. 1941) .....	23
Doug Rendleman, <i>The Trial Judge's Equitable Discretion Following eBay v. MercExchange</i> , 27 Rev. Litig. 63 (2007).....	29
<i>Restatement (Third) of Restitution and Unjust Enrichment</i> (2011) .....	7, 10, 19
Joseph Story, <i>Commentaries on Equity Jurisprudence</i> (4th ed., Little Brown 1846).....	19, 34-35

## INTEREST OF AMICI

Amici Douglas Laycock, Mark Gergen, and Doug Rendleman teach and write about the law of Remedies, including equitable defenses.<sup>1</sup> Individual amici are further described in the Appendix. Amici's interest in this case is to clarify a set of doctrines that has been the subject of considerable confusion. With both parties and the courts below taking all-or-nothing positions, bad facts could easily make bad law. We do not undertake to evaluate the facts or resolve the dispute, but the appropriate solution is most likely somewhere between the positions of the parties.

## SUMMARY OF ARGUMENT

I. The separate-accrual rule is well-settled and sound. It prohibits recovery of all damages to plaintiff or profits to defendant from sales of infringing works more than three years before the date the complaint was filed. This rule fully protects MGM's reliance interests with respect to those sales.

II. In some separate-accrual cases, there is substantial and legitimate reliance not protected by the separate-accrual rule. A defendant may slowly build up the value of an asset over many years. Or a defendant may make a large and risky investment just outside the limitations period, with the payoff

---

<sup>1</sup> No attorney for either party wrote any part of this brief. No person other than amici helped pay for it. Letters consenting to this brief are on file with the Clerk. Amici file this brief in their individual capacities as scholars; their universities take no position on the issues presented.

coming within the limitations period. No interpretation of the statute of limitations can deal with such cases. Courts must bring to bear a doctrine that takes account of defendant's reliance — either laches or estoppel.

Laches and estoppel protect reliance, and they should bar a claim only to the extent necessary to protect reliance. Laches or estoppel may therefore bar recovery of profits from a recent investment without barring an injunction against future uses of the infringing work. The choice is not all-or-nothing.

The facts concerning MGM's alleged reliance are undeveloped, but that reliance does not appear to be sufficient to bar all relief for Petitioner. MGM's reliance appears to consist of a series of incremental investments, most of which are fully protected by the separate-accrual rule, and none of which were a large-scale gamble. But we take no position on the sufficiency of MGM's evidence or any other factual issue in this case.

Congress's failure to mention laches in the Copyright Act should not be read to make the principle inapplicable. No statute could be implemented without reliance on background principles of judge-made law, and congressional silence should not be read to make such principles inapplicable. The Copyright Act contains a statute of limitations, but it does not mention either the separate-accrual rule on which Petitioner relies or the laches rule on which Respondent relies. Both should be available here.

A stray reference to "estoppel" in the legislative history does not indicate otherwise. That sentence was explaining an alternative that the committees

were *not* recommending; it was not explaining the bill that was enacted.

Laches or estoppel should apply to all remedies under the Copyright Act, without distinguishing legal remedies from equitable remedies. Either kind of remedy may, on occasion, be devastating to legitimate reliance interests. Estoppel is clearly available at law as well as in equity, and with respect to unreasonably delayed claims, its content is little different from that of laches. Alternatively, laches could be extended to legal claims in this context, as most other equitable defenses have been extended.

III. *eBay v. MercExchange* casts no light on this case. Its four-part test for injunctions was not intended to include all the issues relevant to the grant or denial of an injunction. Most obviously, it does not mention the elements of plaintiff's claim on the merits, and it does not mention affirmative defenses. If laches were precluded by *eBay*'s failure to mention it, the doctrine would be repealed in all injunction cases.

*eBay*'s formulation of the law of injunctions is not quite right, and it has had large unintended consequences. *eBay* confused preliminary and permanent injunctions, even though the elements of the four-part test are fundamentally affected by whether plaintiff has proved his case.

The lower courts have read *eBay* to prohibit any presumptions concerning when injunctions are available or unavailable. Such presumptions were already well established in Justice Story's time; they are essential parts of the "traditional principles of equity." *eBay* has thus had the unintended

consequence of sweeping away a vast body of judicial experience. *eBay* need not be reconsidered in this case, but it should be reconsidered and clarified at the first opportunity.

## ARGUMENT

### **I. This Case Should Not Call into Question the Separate-Accrual Rule.**

The Court should not question the premise that underlies the Question Presented — that the statute of limitations has not run for infringing copies and sales after May 22, 2006. That is the date three years before the complaint was filed. This separate-accrual rule is both well-settled and sound.<sup>2</sup>

The separate-accrual rule reconciles the conflicting interests of both sides with the policy of the statute of limitations. Plaintiffs can recover for new or continuing violations within the limitations period, but such violations do not allow plaintiffs to recover for earlier violations outside the limitations period. Continuing harm from past violations is not enough; there must be new violations, which cause new harm, within the limitations period. Delay in filing suit thus has substantial consequences. Petitioner here has lost any right to complain of infringing sales from 1980 to 2006. She cannot recover her own damages, statutory

---

<sup>2</sup> See, e.g., *Bay Area Laundry & Dry Cleaning Pension Trust Fund v. Ferbar Corp.*, 522 U.S. 192, 208-10 (1997); *Klehr v. A.O. Smith Corp.*, 521 U.S. 179, 189-90 (1997); *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 401 U.S. 321, 338 (1971); *Hanover Shoe, Inc. v. United Shoe Machinery Corp.*, 392 U.S. 481, 502 n.15 (1968); Pet. Br. 18-20.

damages, or MGM's profits for those sales, and it is now impossible to enjoin those sales.

More important, the separate-accrual rule protects MGM's reliance with respect to all sales prior to May 22, 2006. But under the separate-accrual rule, Petitioner's delay does not grant MGM a de facto perpetual license. Petitioner can still sue for infringements within the three-year period of limitations, and she can still sue for an injunction for the future.

The separate-accrual rule worked exactly as we have described it, in the face of much greater delay, in *Hanover Shoe, Inc. v. United Shoe Machinery Corp.*, 392 U.S. 481, 502 n.15 (1968). The plaintiff there sued in 1955 to challenge an allegedly monopolistic practice that had been in effect since 1912. The statute had run on all applications of that practice from 1912 to 1951, but the statute had not run on continued applications of the practice after 1951. Defendant could not acquire a perpetual license to monopolize simply because no one sued during World War I; neither could plaintiff recover damages back to 1912. The four-year statute was given full effect by limiting plaintiff's claim to those damages caused by defendant's practice in the last four years before the complaint was filed, and to an injunction for the future.

When the principal remedy at issue in a separate-accrual case is damages, the Court appropriately emphasizes that defendants' wrongful acts within the limitations period must have caused new damage to the plaintiff. See *Klehr v. A.O. Smith Corp.*, 521 U.S. 179, 190 (1997) (plaintiffs "have not shown how any new act could have caused them harm over and above the harm that the earlier acts caused"); *Hanover Shoe*,

392 U.S. at 502 n.15 (“continuing and accumulating harm”).

This principle is sound, but it must be generalized to take account of the remedies available for the violation at issue. It is more likely that new infringing sales of the movie after 2006 earned profits for MGM than that they caused damages to Petitioner. The separate-accrual rule permits recovery of defendant’s profits from infringing sales within three years of the complaint.

Because plaintiffs’ damages and defendants’ profits are often difficult to calculate in copyright cases, Congress has also provided a statutory damages remedy. 17 U.S.C. §504(c) (2006 & Supp. V 2011). These statutory damages should also be recoverable for infringing sales within three years of the filing of the complaint, provided that the plaintiff shows that there were some new actual damages or some new profits from violations within the limitations period.

Statutory damages are a substitute for the actual damages or profits that should plainly be recoverable; for the statutory plan to work, the substitute must also be recoverable. But if, as in *Klehr*, it is clear that any violations within the limitations period caused no new damages and earned defendants no new profits, the availability of statutory damages without proof should not in itself prevent the running of the limitations period. That issue might arise under some other statute providing for statutory damages, but it is quite unlikely to arise under the Copyright Act. A copyright owner always loses, and the infringer

always gains, at least the market value of what was taken — the value of a license for the infringing use.<sup>3</sup>

## **II. Laches and Estoppel Protect Substantial and Legitimate Reliance Not Protected by the Separate-Accrual Rule.**

### **A. In Some Separate-Accrual Cases, Substantial and Legitimate Reliance Is Not Fully Protected by the Separate-Accrual Rule Alone.**

The separate-accrual rule generally works quite well, protecting the legitimate interests of both sides. But occasionally, the separate-accrual rule fails to protect substantial reliance on a plaintiff's apparent acquiescence.

The separate-accrual rule may fail to protect reliance that is long lasting and cumulative, a problem that is especially likely to arise in trademark cases. Consider *NAACP v. NAACP Legal Defense & Educational Fund, Inc.*, 753 F.2d 131 (D.C. Cir. 1985), in which the Defense Fund had operated under the same name since 1936, raising money under that name, litigating cases under that name, and generally building up the value of its name. But the Defense Fund and the NAACP had become wholly separate organizations in 1957. Eventually, but not until 1982, the NAACP sued the Defense Fund for an injunction ordering the Defense Fund to drop “NAACP” from its

---

<sup>3</sup> See, e.g., *Davis v. The Gap, Inc.*, 246 F.3d 152, 161-72 (2d Cir. 2001); *Deltak, Inc. v. Advanced Systems, Inc.*, 767 F.2d 357, 361-64 (7th Cir. 1985); *Restatement (Third) of Restitution and Unjust Enrichment* §42 cmt. f (2011) (explaining why market value of a license is minimum recovery for infringement of intellectual property).



name. Under the separate-accrual rule, the statute of limitations had not run and would never run. But the court held the claim barred by laches; there was no other way to protect the Defense Fund's reliance on the NAACP's long acquiescence.

Or the separate-accrual rule may fail to protect reliance reflected in investments that can be recouped only from profits earned within the limitations period or beyond. This issue is more likely to arise in copyright cases. Suppose that in 2005, just outside the three-year limitations period, MGM had produced a remake of the original movie, spending \$50 or \$100 million on a new production that might have been a blockbuster hit, a total flop, or anything in between. That would undoubtedly be reliance that deserves protection. A plaintiff who had unreasonably delayed filing suit while such a movie was made should not be allowed to obtain either a judgment for all the profits or an injunction barring further distribution of the movie.

No interpretation of the statute of limitations can deal with this hypothetical or with the *NAACP* case. The separate-accrual rule taken alone would allow suit at any time despite such reliance. Abolishing the separate-accrual rule would eliminate suits in cases of continuing or repeated violations even if there were no reliance whatever. An outright pirate without the slightest belief that he had rights to the work could infringe forever if he avoided suit for the first three years. So could an infringer who sold copies out of inventory, or printed copies on demand, and made no investments in the work. Only an equitable doctrine such as laches or estoppel can reach sensible results in these cases.

Finally, to complete the picture on this point: There are contexts in which any claimed reliance is illegitimate and not deserving of protection. Courts have properly refused to protect claimed reliance by infringers who have no plausible or good-faith belief that they have a right to the work. See *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 956-58 (9th Cir. 2001) (collecting authorities). Such an infringer is not relying on the plaintiff's longtime failure to assert a claim so much as on a hope, from the very beginning, that he could get away with it. Courts have also explained this rule on the ground that an infringer with unclean hands cannot invoke the equitable defense of laches. *Id.* at 956.

**B. The Reliance Claim in This Case Is Dubious, but We Take No Position on Its Sufficiency.**

Much of MGM's reliance in this case is already protected by the separate-accrual rule. The rest pales in comparison to the reliance of the Defense Fund, or to the reliance in the hypothetical remake of the movie. MGM's repeated distribution of the movie through new media, through new distribution channels, and with new promotions appears to have involved modest incremental expenditures with reasonable prospects for profit on each effort and with limited potential losses.

We are told that MGM spent \$8.5 million during the eighteen-year period of delay, Pet. App. 13a, but we are told very little about when these expenditures were made. MGM made one investment of \$100,000 within the limitations period, and it invested \$3,000,000 in 2004 and 2005 to produce an anniversary release for 2005. *Ibid.* Amici are not

familiar with the entire record, but we are aware of no information about the extent to which this anniversary investment depended on potential sales within the limitations period — after May 22, 2006. And it is clear that the court of appeals made no such distinctions. See Pet. App. 12a-14a.

To the extent that MGM’s investments produced sales before May 2006, including sales of the anniversary edition in 2005 and early 2006, its reliance is fully protected by the separate-accrual rule. Unless MGM can show that all its expenditures cumulatively and continuously built up the value of the movie as an asset, as in the *NAACP* case, only the reliance that produced sales within the limitations period is relevant.

Moreover, substantial protection for this relevant reliance is built into the measure of MGM’s profits. MGM is liable only for net profits; it is entitled to prove, and get full credit for, its “deductible expenses and the elements of profit attributable to factors other than the copyrighted work.” 17 U.S.C. §504(b) (2006). Restitution of a wrongdoer’s profits, in copyright as elsewhere, is limited to “the net profit attributable to the underlying wrong,” and “[t]he object of restitution in such cases is to eliminate profit from wrongdoing while avoiding, so far as possible, the imposition of a penalty.”<sup>4</sup>

Calculation of net profits does not entirely solve the reliance problem, in part because difficulties of proof sometimes result in defendants getting less than

---

<sup>4</sup> *Restatement (Third)*, *supra* note 3, §51(4). The difficulties of proof and apportionment are explored in comments *e* through *i* to §51.

full credit for their contributions. And a plaintiff who knowingly stands by to await the outcome of a large speculative investment, like the hypothetical production and release of a new movie, should be barred by laches even if the net profits can be perfectly calculated. Cf. *Twin-Lick Oil Co. v. Marbury*, 91 U.S. (1 Otto) 587, 592 (1875) (“No delay for the purpose of enabling the defrauded party to speculate upon the chances which the future may give him of deciding profitably to himself whether he will abide by his bargain, or rescind it, is allowed in a court of equity.”). There is some indication that Petitioner waited until MGM had profits to sue for, but we have seen no indication that she deliberately speculated on the outcome of one risky investment.

MGM was not unaware; it knew of Petitioner’s claim as soon as she did, and quite possibly sooner. Pet. App. 9a; J.A. 128. MGM relied on its own view of the matter and on Petitioner’s failure to press the claim, and it relied incrementally. Petitioner waited an extremely long time for not very good reasons. Without access to the record, and with MGM’s evidence directed to an all-or-nothing choice without attention to the question of how much of its reliance is not already protected by other rules, we have not undertaken to resolve issues that depend on the facts of this case. The essential points are that the lower courts should have examined MGM’s claimed reliance much more closely than they did, that the timing of reliance goes far to determine its relevance, and that the magnitude of the relevant reliance matters.

The magnitude of reliance matters because the laches defense has the potential to transfer all rights in the work, at least de facto. Such a transfer should

not be based on modest reliance amounting to a small fraction of the value of the work.

Nor does the choice have to be all or nothing. “Because laches is based on prejudice to the defendant, the bar it raises should be no broader than the prejudice shown.”<sup>5</sup> It may or may not make sense to say that Petitioner’s claim to the profits from sales of the 2005 anniversary edition is barred by laches, but it almost certainly does not make sense to say that Petitioner’s claim to an injunction with respect to all potential future uses of the work is barred by the reliance reflected in that one rather modest investment.

The Court long ago took note of this solution in a trademark case. “Cases frequently arise where a court of equity will refuse the prayer of the complainant for an account of gains and profits, on the ground of delay in asserting his rights, even when the facts proved render it proper to grant an injunction to prevent future infringement.” *McLean v. Fleming*, 96 U.S. (6 Otto) 245, 257 (1877). This solution is even more appropriate in copyright, where the facts of cases are far less likely to involve name recognition achieved slowly and cumulatively over many years.

---

<sup>5</sup> 1 Dan B. Dobbs, *Law of Remedies* §2.4(4) at 106 (2d ed., West 1993).

**C. Congressional Silence Should Not Be Taken to Repeal Background Principles of Common Law or Equity.**

**1. Statutory Text**

Congress did not mention laches or estoppel in the Copyright Act. That should not be taken as an implied repeal of these longstanding principles.

No statute could be implemented without reliance on background principles of judge-made law. The Copyright Act is no exception. It provides for recovery of plaintiff's damages or defendant's profits, but it says very little about how to measure or calculate those damages or profits. It provides for injunctions but states no rules for granting or refusing injunctions. Congress does not have to codify all these background principles every time it enacts a statute, and it could not conceivably do so if it tried.

Both the Copyright Act and the Patent Act say that injunctions are to be granted on terms the court deems "reasonable." The Patent Act, but not the Copyright Act, also says that any injunction shall be granted "in accordance with the principles of equity." Compare 17 U.S.C. §502 (2006), with 35 U.S.C. §283 (2006). This contrast hardly means that "the principles of equity" are irrelevant to injunctions under the Copyright Act.

The Copyright Act includes a statute of limitations, but it does not mention the separate-accrual rule on which Petitioner relies any more than it mentions the laches rule on which Respondent relies. The Act mentions no rules for tolling its statute of limitations. The committee reports mention some but not all of the common tolling rules, and say that it is unnecessary to codify them, because the "Federal

district courts, generally, recognize these equitable defenses anyway.” S. Rep. 85-1014, at 3 (quoting H.R. Rep. 85-150, at 2).<sup>6</sup>

Many federal statutes enacted before 1990 have no statute of limitations at all, but the Court has not interpreted congressional silence to mean that there is no limitations period. The Court has generally looked instead to the most nearly analogous state statute of limitations, and sometimes to an analogous federal statute of limitations, but Congress never said either of those things. “The implied absorption of State statutes of limitation within the interstices of the federal enactments is a phase of fashioning remedial details where Congress has not spoken but left matters for judicial determination within the general framework of familiar legal principles.” *Holmberg v. Armbrrecht*, 327 U.S. 392, 395 (1946).

The same could be said for any other judge-made remedial rule that Congress has neither codified, modified, nor repealed. Borrowing a state statute of limitations — a legislative enactment on an issue that had always been legislative — was a much bolder judicial innovation than applying a well-known judge-made doctrine such as laches or estoppel to an issue that legislators have generally left to judges.

When Congress says nothing about a judge-made rule such as laches, the most reasonable inference is that it did not address laches one way or the other and that it was not thinking about laches. If Congress *were* thinking about laches and if it meant to exclude laches by silence, it would have been very easy and far more effective to say in the statutory text, “Laches shall not

---

<sup>6</sup> The Senate Report is reprinted at 1957 U.S.C.C.A.N. 1961.

be a defense to actions under this title.” There is no reason to read such a legislative bar into congressional silence.

Congress can amend or repeal such well-settled principles if it chooses, but not by merely failing to mention them. “Of course, Congress may intervene and guide or control the exercise of the court’s discretion, but we do not lightly assume that Congress has intended to depart from established principles.” *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 313 (1982). “The great principles of equity, securing complete justice, should not be yielded to light inferences, or doubtful construction.” *Brown v. Swann*, 35 U.S. (10 Pet.) 497, 503 (1836).

This Court has held that a statute providing that an injunction “shall be granted” did not abolish equitable discretion to refuse an injunction in appropriate cases, even where multiple violations of the law had been proved. “We cannot but think that if Congress had intended to make such a drastic departure from the traditions of equity practice, an unequivocal statement of its purpose would have been made.” *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944). See also *BFP v. Resolution Trust Corp.*, 511 U.S. 531, 543 (1994) (stating more generally that congressional departures from long-existing rules should not be inferred without “clearer textual guidance” than the statutory phrase at issue there). A fortiori, the Court should not infer departure from long-existing rules from congressional silence.

Petitioner’s position appears to be that estoppel is available but laches is not, and that estoppel is available even with respect to long-delayed actions brought within the statute of limitations under the



separate-accrual rule. Pet. Br. 60-63. No plausible basis for that distinction appears. The Copyright Act mentions neither laches nor estoppel; if silence meant implied repeal, then both would be repealed with respect to copyright. At the very least, both would be repealed as a means of responding to long delay in filing a claim, lest they undermine the statute of limitations. The more sensible interpretation is that neither is repealed. Each is a longstanding background principle of judge-made law designed to deal with particular problems that can arise in copyright but are in no way specific to copyright. Each should presumptively apply unless Congress says otherwise.

## **2. A Mistaken Inference from Legislative History**

The concurring opinion below quoted one sentence of the Senate Report as follows: “[C]ourts generally do not permit the intervention of equitable defenses or estoppel where there is a [statute of] limitation on the right.” Pet. App. 24a (quoting S. Rep. 85-1014 (bracketed insertion by Judge Fletcher)). The Senate Report was in turn quoting the House Report, H.R. Rep. 85-150 at 2.

Petitioner does not rely on this sentence, and appropriately so. It is very clear in context that this sentence was wholly inapplicable to the bill the committees were recommending. It described what the committees were trying to avoid, *not* what they were recommending.

The sentence came at the end of a substantial discussion of a distinction between statutes of limitation that limit plaintiffs’ *remedy* and those that

limit plaintiff's *right*. By this the committees meant the same distinction that this Court has sometimes described as ordinary statutes of limitations and *jurisdictional* statutes of limitations, *Sebelius v. Auburn Regional Medical Center*, 133 S. Ct. 817, 824 (2013), or as ordinary statutes of limitations and those few that are “in such ‘emphatic form’ as to preclude equitable exceptions,” *Kontrick v. Ryan*, 540 U.S. 443, 458 (2004) (quoting a brief).

Congress believed that limitations on the *remedy* were subject to equitable tolling and that limitations on the *right* were not. S. Rep. at 3 (quoting three paragraphs from H.R. Rep. at 2). And both reports were at pains to point out that the new statute of limitations for the Copyright Act was a limitation only on the remedy, not a limitation on the right. The sentence quoted by the concurring opinion below, about limitations on the *right*, was about what Congress was trying *not* to enact. And while the sentence referred to “equitable defenses” and to “estoppel,” the rules Congress was thinking about were tolling rules that extend the statute of limitations. These are not defenses but partial exceptions to the defense of limitations, and only some of them are equitable.

The committees’ reference to estoppel appears in context to have referred to plaintiffs arguing that defendants are estopped from asserting the statute of limitations,<sup>7</sup> not to defendants arguing that plaintiffs

---

<sup>7</sup> See, e.g., *Glus v. Brooklyn Eastern District Terminal*, 359 U.S. 231 (1959) (defendant possibly estopped from asserting three-year statute of limitations because it assured plaintiff he had seven years to sue; whether it was reasonable to rely on that representation left to jury); *McAllister v. FDIC*, 87 F.3d 762, 767

are estopped from asserting a long delayed claim. But whatever the committees meant by estoppel, they were not excluding its use. By emphasizing that they were enacting a limit on the remedy and not on the right, they meant that they were leaving uncodified background principles in place.

There is no indication in either committee report that Congress gave any attention to the continuing or repetitive nature of many copyright infringements, to the separate-accrual rule, or to laches. And there is certainly no modification of these background principles in statutory text. They should apply here.

**D. Laches or Estoppel Should Apply to Both Legal and Equitable Remedies Under the Copyright Act.**

**1. Remedies Under the Copyright Act**

The Copyright Act provides for both legal and equitable remedies, and the reason for invoking laches or estoppel — the need to protect substantial and legitimate reliance — applies to legal as well as equitable remedies. An injunction under §502 is clearly equitable. Impoundment of infringing copies under §503 is administered by the judge, which suggests that it is viewed as equitable.<sup>8</sup>

Actual damages under §504(b) are clearly legal. Statutory damages under §504(c) are legal. *Feltner v.*

---

(5th Cir 1996) (defendant estopped from asserting limitations by its promise to pay plaintiff's claim)..

<sup>8</sup> See 5 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* §1407[B][1] (Matthew Bender 2013) (treating the implementation of this remedy as a matter of equitable discretion).

*Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998). It would make no sense for laches or estoppel to bar plaintiff's claim for an injunction but not her claim for statutory damages in potentially crippling amounts, up to \$150,000 per infringing copy. See 17 U.S.C. §504(c)(2) (2006 & Supp. V 2011).

Recovery of the profits of an intentional wrongdoer was historically available both at law, in quasi-contract, and in equity, as accounting for profits.<sup>9</sup> In the copyright context, this Court has treated recovery of defendant's profits as equitable. *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 399 (1940). Nineteenth-century courts appear to have viewed the recovery of profits as relief incidental to an injunction.<sup>10</sup> This suggests both that the relief was granted in an equitable proceeding, *and* that it was thought that perhaps this relief could not be granted in equity if plaintiff did not also seek an injunction. In modern times, the lower courts have generally recognized a right to jury trial in suits to recover defendant's profits, relying on *Dairy Queen, Inc. v. Wood*, 369 U.S. 469 (1962),<sup>11</sup> thus implying that this relief is legal. But in *Dairy Queen*, the claimed accounting for profits was just a remedy on an underlying claim for breach of contract. This Court has not reviewed the jury-trial issue in the more common context of infringers who have no contract with the plaintiff.

---

<sup>9</sup> See *Restatement (Third)*, *supra* note 3, §4 and comments.

<sup>10</sup> 2 Joseph Story, *Commentaries on Equity Jurisprudence* §933 at 264 (4th ed., Little Brown 1846).

<sup>11</sup> 5 Nimmer & Nimmer, *supra* note 8, §14.03[E] (collecting cases).

If the Court adheres to *Sheldon's* view that recovery of the infringer's profits is equitable, then laches plainly applies. But a plaintiff who sought to avoid the bar of laches by couching his claim for profits as legal, sounding in quasi-contract, would have a serious historical argument. (Petitioner asserts that all monetary remedies are legal, Pet. Br. 49-50, but she does not make the serious argument in support of that claim that she could have made.)

If the Court were to hold that recovery of profits under the Copyright Act is a legal remedy with historic roots in quasi-contract, it would make no sense for laches to bar an injunction against further sales but not a claim for all profits that defendant earned from infringing sales for the last three years or ever will earn forever into the future. In practical effect, these are equivalent remedies — an infringer will not sell the work if plaintiff will get all the profits — except that the injunction is more limited, because it does not reach three years into the past.

## **2. Estoppel**

The simplest doctrinal solution to this problem is to turn to estoppel instead of laches. Estoppel undoubtedly applies to both legal and equitable claims. Pet. Br. 60-61. “The doctrine of equitable estoppel is, as its name indicates, chiefly, if not wholly, derived from courts of equity, and as these courts apply it to any species of property, there would seem no reason why its application should be restricted in courts of law.” *Kirk v. Hamilton*, 102 U.S. 68, 78 (1880).<sup>12</sup>

---

<sup>12</sup> See also T. Leigh Anenson, *The Triumph of Equity: Equitable Estoppel in Modern Litigation*, 27 Rev. Litig. 377, 407-

The essence of estoppel is that one party is misled by the other and relies to his detriment. There are six-part formulations,<sup>13</sup> four-part formulations,<sup>14</sup> three-part formulations,<sup>15</sup> and even one-sentence formulations,<sup>16</sup> but all reduce to the same basic elements: misleading and detrimental reliance.

Laches and estoppel are not identical, but they are not nearly so different as Petitioner claims. “Estoppel is closely related to and sometimes identical with laches.”<sup>17</sup> “When the basis for estoppel is conduct lulling the claimant into believing that an actor would not assert a right, claim, or defence, the actor may be estopped from asserting that right, claim, or defence.”<sup>18</sup>

What is essential here is that an estoppel can be based on a potential plaintiff’s silence or long delay in objecting when he knew, or should have known, that a potential defendant was acting in reliance on his apparent acquiescence. *Kirk v. Hamilton*, one of the

---

10 (2008) (reviewing cases and secondary authorities on longstanding availability of estoppel at law).

<sup>13</sup> *Geddes v. Mill Creek Country Club, Inc.*, 751 N.E.2d 1150, 1157 (Ill. 2001).

<sup>14</sup> *Garbitelli v. Town of Brookfield*, 987 A.2d 327, 331 (Vt. 2009); Pet. App. 26a.

<sup>15</sup> *Youngblood v. Auto-Owners Insurance Co.*, 158 P.3d 1088, 1092 (Utah 2007).

<sup>16</sup> *Plymouth Foam Products, Inc. v. City of Becker*, 120 F.3d 153, 156 (8th Cir. 1997).

<sup>17</sup> 1 Dobbs, *supra* note 5, §2.3(5) at 89.

<sup>18</sup> Mark P. Gergen, *Towards Understanding Equitable Estoppel*, in *Structure and Justification in Private Law* 319, 333 (C.E.F. Rickett & Ross Grantham, eds.) (Oxford 2008).

early cases committing this Court to the availability of estoppel at law, was a case of delay in asserting a claim to property, while the defendant expended substantial sums in improving that property. “He was silent when good faith required him to put the purchaser on guard,” and therefore estopped to assert his claim. 102 U.S. at 79. See also *Board of Trade v. Johnson*, 264 U.S. 1 (1924), a dispute over transfer of a seat on the Board of Trade, where the Court said: “If the transfer is completed before objection, those who have been silent are, of course, estopped.” *Id.* at 235.

There are more recent cases in the courts of appeals, including in copyright. “A copyright owner can be estopped not only by words and action but also by silence and inaction.” *HGI Associates, Inc. v. Wetmore Printing Co.*, 427 F.3d 867, 875 (11th Cir. 2005). “[E]stoppel may be accomplished by a plaintiff’s silence and inaction.” *Carson v. Dynegy, Inc.*, 344 F.3d 446, 453 (5th Cir. 2003). Estoppel is most like laches in cases like this one, where a potential plaintiff stands by and fails to assert a claim. “The emphasis in laches is on delay; the emphasis in estoppel is on misleading .... But the difference is attenuated when defendant is misled by plaintiff’s silence.”<sup>19</sup>

An intentional misrepresentation is not merely a basis for estoppel; it is fraud. For an estoppel, the misleading statement, conduct, silence, or delay may be intentionally deceitful, or merely negligent or inadvertent; in some contexts, it may be entirely

---

<sup>19</sup> Douglas Laycock, *Modern American Remedies* 961 (4th ed., Aspen 2010).

innocent.<sup>20</sup> Estoppel is a flexible doctrine, fully adequate to the task of substituting for laches.

The eighteen-year delay in filing suit, and the doubtful justifications for that delay, on which the court of appeals relied to find unreasonable delay leading to laches, Pet. App. 9a-11a, are equally sufficient to lay the basis for estoppel. But neither defense is made out unless MGM shows sufficient reliance. And as stated above, we doubt that MGM has shown sufficient reliance to entirely bar the claim.

### 3. Laches

Laches is an equitable defense, developed in the first instance because statutes of limitation applied only at law. In some important classes of cases in equity — most notably, suits for breach of trust — the Chancellors did not apply the statute by analogy.<sup>21</sup>

Modern statutes of limitation often apply in equity, and they certainly apply to all remedies in copyright. If there is both a legal remedy and an equitable remedy for the same underlying legal wrong, the statute of limitations applies to both remedies. *Cope v. Anderson*, 331 U.S. 461, 463-64 (1947) (“For it is only the scope of the relief sought and the multitude of parties sued which gives equity concurrent jurisdiction to enforce the legal obligation here asserted. And equity will withhold its relief in

---

<sup>20</sup> Gergen, *supra* note 18, at 325-30 (surveying illustrative cases). Conversely, a party who would be unjustly enriched by reneging on an earlier representation may be estopped even with little in the way of reliance. *Id.* at 324.

<sup>21</sup> 2 John Norton Pomeroy, *A Treatise on Equity Jurisprudence* §419a at 172-73 (Bancroft-Whitney, 5th ed. 1941).



such a case where the applicable statute of limitations would bar the concurrent legal remedy.”).

That at least is the general rule, and the Copyright Act codifies that rule here. The statute of limitations in §507 says that “[n]o civil action” may be brought after three years; it does not distinguish the various remedies that may be sought in a “civil action.”

As Petitioner says, there is no doubt that laches historically applied only in equity. Pet. Br. 49-50. But that rule arose in a legal environment that was fundamentally different in some ways, and surprisingly similar in others. The historic understanding of laches as exclusively equitable arose when law and equity were administered in separate courts and statutes of limitations did not apply to important claims in equity.

Today, law and equity are administered in the same court, and all but the most basic points of the distinction are fading from legal memory. See *Mertens v. Hewitt Associates*, 508 U.S. 248, 256 (1993) (“memories of the divided bench, and familiarity with its technical refinements, recede further into the past”). The idea that equitable remedies are barred when legal remedies are not may be more quaint than functional.

Despite all the changes, the separate-accrual rule creates a situation much like that which faced the early Chancellors: if defendant continues to infringe, the statute of limitations may never run, and there is no way to take account of legitimate reliance interests without invoking laches or estoppel.

As already noted, the Court may respond to this conundrum by turning to estoppel instead of laches.

But the Court could also say that at least in copyright, and presumably more generally, laches applies to both legal and equitable claims if it applies at all. Most of the other equitable defenses, including fraud, estoppel, and unconscionability, and near substitutes for unclean hands and even balancing the equities, have been fully assimilated to law.<sup>22</sup> Laches could be assimilated as well. The Federal Circuit has already taken this step in patent cases. *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020, 1031 (Fed. Cir. 1992) (en banc).

Of course it would make no sense to apply laches, before the applicable statute of limitations had expired, to bar a claim for damages arising from a single fixed event. It would make no sense even if important evidence had been lost in the meantime. The plaintiff in such a case is entitled to rely on the fixed period within which to file a claim. The plaintiffs' bar does in fact rely; many claims are filed on or shortly before the last day permitted by the statute of limitations.

It is clear in this case that Petitioner did *not* rely on any fixed period in which she was permitted to file. If laches applies to Petitioner's equitable claim for an injunction, it should also apply to her legal claim for damages and for statutory damages, and for defendant's profits, no matter whether that claim is characterized as legal or equitable.

---

<sup>22</sup> Douglas Laycock, *The Triumph of Equity*, 56 L. & Contemp. Probs. No. 3, at 53, 70 (Summer 1993) (collecting illustrative citations).

### **III. *eBay v. MercExchange* Casts No Light on This Case.**

Petitioner suggests that any consideration of laches is inconsistent with *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). Pet. Br. 40-42. There are two problems with this argument. First, it is not a plausible interpretation of *eBay*. And second, the *eBay* formulation has miscommunicated, with serious unintended consequences. *eBay* should not be extended or built upon until it is clarified.

#### **A. *eBay* Does Not Preclude Consideration of Relevant Doctrines Not Mentioned in Its Four-Part Test.**

*eBay* announced a four-part test for deciding whether to grant a permanent injunction:

A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

*Id.* at 391.

Obviously this four-part test was not intended to be complete or to preempt all issues not mentioned in its single sentence.<sup>23</sup> The test does not mention

---

<sup>23</sup> See Mark P. Gergen, John M. Golden, & Henry E. Smith, *The Supreme Court's Accidental Revolution? The Test for Permanent Injunctions*, 112 Colum. L. Rev. 203, 208 (2012)

success on the merits or the substantive rules applicable to plaintiff's claim. It does not mention any affirmative defense available to defendant, equitable or otherwise. It does not mention laches, estoppel, or statute of limitations; it does not mention fraud, unclean hands, waiver, or accord and satisfaction. *eBay* was a patent case, but the Court did not mention infringement, validity, or any other issue going to liability.

If all these things are excluded from injunction cases because they were not mentioned in *eBay*, they are excluded not just in patent cases, not just in copyright cases, but in all injunction cases. *eBay* was not such a wholesale repealer.

The *eBay* test addresses the question whether a successful plaintiff should get an injunction or damages. It does not address whether a plaintiff is entitled to any remedy at all, or whether he should lose for failure to prove his case on liability or to overcome an affirmative defense.

In appropriate cases, laches or estoppel can entirely bar a plaintiff's claim and preclude any remedy at all. In this case, laches or estoppel should preclude any remedy with respect to which MGM proves sufficient reliance. The application of laches or estoppel is simply not within the scope of *eBay*'s four-part test. These defenses are outside that test.

---

(criticizing *eBay* for omitting any mention of equitable defenses, including laches).

### **B. The Four-Part Test in *eBay* Has Had Serious Unintended Consequences.**

The four-part test in *eBay* has caused enormous disruption in the law of injunctions. Faced with rather wooden alternatives presented by the parties and the Federal Circuit, the Court invoked “traditional principles of equity” with little help from the parties. The Court believed that it was restating “traditional principles,” not making a substantial change. Chief Justice Roberts’s concurring opinion suggested that few results in patent cases would be changed. But that is not what happened.

The Court’s formulation somewhat misstated the principles on which it relied, and lower courts have read it to inadvertently discard a vast body of practical judicial experience that had generated useful presumptions about how the traditional principles of equity applied to recurring fact patterns. The test has had consequences in the lower courts that the Court almost certainly did not intend.<sup>24</sup>

That *eBay* can be invoked in good faith as Petitioner has invoked it here suggests that it may be even more disruptive than previously realized. The *eBay* test should not be extended or built upon, in this case or any other. There is no need to reconsider it here, because it is irrelevant here. But in an appropriate case, the *eBay* test should be reconsidered and clarified.

For *permanent* injunctions, there was no “traditional” four-part test on the lines the Court announced. Tests similar to the *eBay* test had

---

<sup>24</sup> See generally *id.* at 203-49.

appeared in only a handful of cases. “Remedies scholars had never heard of the four-part test.”<sup>25</sup>

The Court appears to have been thinking of the four-part test for *preliminary* injunctions. The Court relied on two cases: *Amoco Production Co. v. Village of Gambell*, 480 U.S. 531 (1987), and *Weinberger v. Romero-Barcelo*, 456 U.S. 305 (1982). *Amoco* was unambiguously a preliminary injunction case. See 480 U.S. at 534 (“the Ninth Circuit directed entry of a preliminary injunction”). *Romero-Barcelo* involved an injunction intended to last only until an administrative agency granted a permit. See 456 U.S. at 310 (“The Court of Appeals ... remanded with instructions that the court order the Navy to cease the violation until it obtained a permit.”). The case had been fully tried below,<sup>26</sup> so in a sense this was to be a short-lived “permanent” injunction, but it is impossible to learn that from this Court’s opinion. These are the two cases the Court relied on in *eBay*.

In some ways, this Court treated the injunction in *Romero-Barcelo* as though it were preliminary. The Court quoted rules about “an interlocutory injunction.” 456 U.S. at 312. It said that the district court, which had refused an injunction, had “temporarily, not permanently, allowed the Navy to continue its activity without a permit.” *Id.* at 315. It referred to the issues “at this stage of the

---

<sup>25</sup> Doug Rendleman, *The Trial Judge’s Equitable Discretion Following eBay v. MercExchange*, 27 Rev. Litig. 63, 76 n.71 (2007).

<sup>26</sup> See *Romero-Barcelo v. Brown*, 643 F.2d 835, 836 (1st Cir. 1981) (“[a]fter an extensive trial”); *Romero-Barcelo v. Brown*, 478 F. Supp. 646, 652 (D.P.R. 1979) (“The Court consolidated the preliminary and permanent injunction hearings.”).

proceedings,” *id.* at 320, and it said that if the permit were not forthcoming, the district court would have to reconsider its decision, *id.* On the other hand, the Court did not mention probable success on the merits.

The familiar four-part test for preliminary injunctions takes account of probable success on the merits, irreparable injury, balance of hardships, and the public interest. See, e.g., *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7, 20 (2008) (citing *Amoco* and *Romero-Barcelo*). There has been some variation in the stated relationship among these four parts,<sup>27</sup> but the four parts are a fixture in the law.

It would make no sense to say that a *permanent* injunction depends on *probable* success on the merits; by the permanent injunction stage, the plaintiff has already succeeded. The Court got back to four parts by separating irreparable injury and adequate remedy at law into two elements of the test. But with respect to remedies, these are just two names for the same thing.

---

<sup>27</sup> *Winter* can be read to say that these four points are separate elements that plaintiff “must establish.” 555 U.S. at 20. Other cases speak in terms of balancing the four factors. See, e.g., *Nken v. Holder*, 556 U.S. 418, 433 (2009) (stay of administrative order is “an exercise of discretion” and “dependent on the circumstances of the particular case”); *Amoco*, 480 U.S. at 542 (“court must balance the competing claims of injury and must consider the effect on each party of the granting or withholding of the requested relief.”); *Ohio Oil Co. v. Conway*, 279 U.S. 813, 814 (1929) (stating a consolidated query based on the degree to which each of the four factors is present). See also *Ashcroft v. ACLU*, 542 U.S. 656, 670 (2004) (discussing “important practical reasons” for a preliminary injunction, which implies an all-things-considered balancing approach.)

What makes an injury irreparable is precisely that no legal remedy can repair it.<sup>28</sup>

Perhaps to create some distinction between the first two elements of its test, the Court put irreparable injury in the past tense (“has suffered”), and adequate remedy at law in the present tense (“are inadequate”). But “has suffered” irreparable injury cannot be taken literally; it would eliminate the well-settled principle that injunctions are available to prevent irreparable injury that is imminently or certainly threatened. “One does not have to await the consummation of threatened injury to obtain preventive relief.” *Farmer v. Brennan*, 511 U.S. 825, 845 (1994) (quoting *Pennsylvania v. West Virginia*, 262 U.S. 553, 593 (1923)). See also *Winter*, 555 U.S. at 20 (at preliminary injunction stage, plaintiff must show “that he is *likely to suffer* irreparable harm”) (emphasis added).

There is a more fundamental problem with copying the test for preliminary injunctions and applying it without further explanation to permanent injunctions. Although some of the phrases are the same, their meaning is very different. At the permanent injunction stage, the plaintiff has proved his case and won on the merits; at the preliminary injunction stage, he has done neither. This is a distinction of fundamental importance.

Courts at the preliminary relief stage routinely find that damages will be an adequate remedy for

---

<sup>28</sup> See 1 Dobbs, *supra* note 5, §2.5(1) at 124-25; James M. Fischer, *Understanding Remedies* §21.1 at 201-02 (2d ed., Matthew Bender 2006); Laycock, *supra* note 19, at 380-81; Gergen, Golden, & Smith, *supra* note 23, at 209 & n.27.



injuries they would consider irreparable after a full trial.<sup>29</sup> At the permanent injunction stage, the irreparable injury rule is rather easily satisfied<sup>30</sup> — unless on the particular facts the injunction raises some difficulty, and then it is that difficulty, rather than the adequacy of legal remedies, that makes the injunction unavailable.<sup>31</sup> For a permanent injunction to be precluded by an adequate legal remedy, without more, “the legal remedy must be as complete, practical, and efficient as that which equity could afford.” *Terrace v. Thompson*, 263 U.S. 197, 214 (1923).<sup>32</sup>

The balance of hardships varies in similar ways. At the preliminary injunction stage, harm to each side is sensibly balanced in light of the probability of success; hardship counts for more if it is probably unlawful and undeserved. Courts speak of the balance of hardships “tipping” one way or the other. See, e.g., *Winter*, 555 U.S. at 26 (“the balance of equities and consideration of the overall public interest in this case tip strongly in favor of the Navy.”).

---

<sup>29</sup> See Douglas Laycock, *The Death of the Irreparable Injury Rule* 111-17 (Oxford 1991) (collecting and analyzing examples). See also 1 Dobbs, *supra* note 5, §2.11(2) at 253 (explaining that the test differs at the two stages because “[i]n preliminary relief cases the irreparable harm requirement serves a special purpose; it provides a barrier against the easy use of public power without a trial.”); Fischer, *supra* note 28, §33.2 at 299-300 (elaborating the differences between the two stages).

<sup>30</sup> See Laycock, *supra* note 29, at 37-98.

<sup>31</sup> See *id.* at 133-236.

<sup>32</sup> See *id.* at 35-36 nn. 80-81 (collecting authorities).

But at the permanent injunction stage, plaintiff has proved his case and defendant is an adjudicated wrongdoer. Hardship to defendant is a defense only if it is greatly disproportionate to the hardship to plaintiff of denying an injunction. “Where substantial redress can be afforded by the payment of money and issuance of an injunction would subject the defendant to *grossly disproportionate hardship*, equitable relief may be denied although the nuisance is indisputable.” *City of Harrisonville v. W.S. Dickey Clay Manufacturing Co.*, 289 U.S. 334, 338 (1933) (emphasis added).<sup>33</sup>

Because such disproportionate hardship arises only occasionally, undue hardship at the permanent injunction stage is better thought of as a defense to be raised and proved by defendant than as something plaintiff must disprove in every injunction case.<sup>34</sup> Similarly with the public interest: a public interest distinct from the interests of the parties can be very important when it is present, but such interests arise

---

<sup>33</sup> See generally Douglas Laycock, *The Neglected Defense of Undue Hardship (and the Doctrinal Train Wreck in Boomer v. Atlantic Cement)*, 4 J. Tort Law, Issue 3, Article 3 (2012), available at <http://www.degruyter.com/view/j/jtl.2011.4.issue-3/issue-files/jtl.2011.4.issue-3.xml>; Fischer, *supra* note 28, §31.2.3 at 265 (contrasting balance of hardships at the two stages).

<sup>34</sup> See Laycock, *supra* note 33 (characterizing undue hardship as a defense); Gergen, Golden, & Smith, *supra* note 23, at 227 (“Notably, when balance-of-hardships concerns enter through the undue-hardship defense, the right violator bears a considerable burden of production from the start, a situation that contrasts with that under an *eBay* test unsupplemented by any presumptions in favor of the right holder.”).

only occasionally, and plaintiffs should not have to raise the issue and address it in every case.

The lower courts in *eBay* had applied presumptions that this Court rejected. The district court's presumption against injunctions in favor of non-practicing patent holders had little basis in law; the Federal Circuit's presumption in favor of enjoining patent infringement had ample basis but was stated too rigidly. This Court rejected both presumptions, and the lower courts have read the opinion to reject *all* presumptions.<sup>35</sup>

This interpretation has thrown out the baby with the bathwater. The “traditional principles of equity” have long recognized patterns in the cases, and these patterns have given rise to rebuttable presumptions. Justice Story's chapter on injunctions is full of fact patterns and classes of cases in which injunctions would normally be granted or withheld.<sup>36</sup> *These* are the “traditional principles of equity;” Justice Story did not just identify *eBay*'s four very general principles and say they must be applied case by case. One of these amici has surveyed the modern cases, identifying similar patterns and classes of cases in which injunctions will generally be granted<sup>37</sup> or withheld.<sup>38</sup> Repeated or continuing violations of law generally give rise to irreparable injury; the application of this principle to intellectual property

---

<sup>35</sup> See Gergen, Golden, & Smith, *supra* note 23, at 215-19 (collecting cases).

<sup>36</sup> See 2 Story, *supra* note 10, §§871-959 at 206-92.

<sup>37</sup> See Laycock, *supra* note 29, at 37-98.

<sup>38</sup> *Id.* at 99-236.

was well-settled in Justice Story's time.<sup>39</sup> Constitutional violations generally give rise to irreparable injury; a simple breach of contract often does not, so a plaintiff seeking specific performance has to explain and prove why damages are inadequate. And so on.

Rules of thumb such as these give guidance to the parties and simplify the work of courts. To abolish all this practical learning at one fell swoop is seriously harmful and surely not what the Court intended. See *eBay*, 547 U.S. at 394 (“We hold *only* that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity ....” (emphasis added)); *id.* at 395 (Roberts, C.J., concurring) (“[T]here is a difference between exercising equitable discretion ... and writing on an entirely clean slate.”).

*eBay*'s formulation of the standards for injunctive relief requires modification; at the very least, it requires substantial clarification. The Court should not compound the damage here by accepting Petitioner's invitation to suggest that all law not mentioned in *eBay*'s four-part test is henceforth irrelevant to injunction cases.

---

<sup>39</sup> 2 Story, *supra* note 10, §§928-33 at 260-64.

## CONCLUSION

The judgment should be vacated and the case remanded for a much more particularized consideration of laches and estoppel consistent with this Court's opinion.

Respectfully submitted,

Douglas Laycock  
*Counsel of Record*  
University of Virginia Law School  
580 Massie Road  
Charlottesville, VA 22903  
434-243-8546  
dlaycock@virginia.edu

## APPENDIX

### Identifying the Amici

Douglas Laycock is the Robert E. Scott Distinguished Professor of Law at the University of Virginia. In addition to his work on religious liberty, he is the author of a leading casebook on remedies,<sup>1</sup> a prize-winning book on injunctions,<sup>2</sup> and a short article on continuing violations and statutes of limitations.<sup>3</sup> The casebook devotes an entire chapter to equitable defenses and statutes of limitations.<sup>4</sup>

Mark P. Gergen is the Robert and Joann Burch D.P. Professor of Tax Law and Policy at the University of California Berkeley. He has taught remedies and equitable defenses in courses on contracts, property, and remedies. He is coauthor of a leading casebook on contracts,<sup>5</sup> author of a short article on equitable estoppel,<sup>6</sup> and coauthor of the leading article on this Court's decision in *eBay v. MercExchange*.<sup>7</sup>

Doug Rendleman is the Huntley Professor of Law at Washington and Lee University. He is the senior

---

<sup>1</sup> Laycock, *supra* note 19.

<sup>2</sup> Laycock, *supra* note 29.

<sup>3</sup> Douglas Laycock, *Continuing Violations, Disparate Impact in Compensation, and Other Title VII Issues*, 49 L. & Contemp. Probs. No. 4, at 53 (Autumn 1986).

<sup>4</sup> Laycock, *supra* note 19, at 925-92.

<sup>5</sup> Lon L. Fuller, Melvin Aron Eisenberg, & Mark P. Gergen, *Basic Contract Law* (9th ed., West 2013).

<sup>6</sup> Gergen, *supra* note 18.

<sup>7</sup> Gergen, Golden, & Smith, *supra* note 23.

coauthor of the other leading casebook on remedies,<sup>8</sup> and author of a casebook on injunctions<sup>9</sup> and of an early article on this Court's decision in *eBay v. MercExchange*.<sup>10</sup>

---

<sup>8</sup> Doug Rendleman & Caprice L. Roberts, *Remedies* (8th ed., West 2011).

<sup>9</sup> Doug Rendleman, *Complex Litigation: Injunctions, Structural Remedies, and Contempt* (Foundation 2010).

<sup>10</sup> Rendleman, *supra* note 25.