FIXING COPYRIGHT'S THREE-YEAR LIMITATIONS CLOCK: THE ACCRUAL OF AN INFRINGEMENT CLAIM UNDER 17 U.S.C. § 507(B)

I. INTRODUCTION: WINNING THE BATTLE, BUT LOSING THE WAR

Ten years ago, James Tomasini, an accomplished but hypothetical Midwestern artist and botanist, published a collection of his artistic works. The collection included dozens of reproductions of Tomasini's paintings of wildflowers, each painstakingly researched, beautifully rendered, and taking hundreds of hours to complete.[1] Tomasini registered his copyrights for each individual work and for the entire collection,[2] and copyright notices were prominently affixed beneath each illustration and to the title page of the collection.[3]

Eight years ago, Pacific Mills, a large but fictitious California linen manufacturer, purchased a copy of Tomasini's published and copyrighted collection, digitally scanned several of Tomasini's wildflower illustrations, and began producing a new line of linens bearing his work.[4] Pacific Mills paid no licensing fees or royalties to Tomasini, and chose not to obtain the artist's permission to copy his illustrations. The company sold the linens throughout California and the Pacific Northwest and, for several years, quietly profited from Tomasini's work. Although sales slumped after the first few years and Pacific Mills ultimately phased out the line, the linens were, overall, a huge success for the company. Purchasers of the linens would later note they were drawn to Tomasini's beautiful, unique, and intricate floral

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1. Tomasini's illustrations were copyrightable subject matter under Section 102(a) of the 1976 federal Copyright Act, which provides that "[c]opyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression." Works of authorship include "pictorial works." 17 U.S.C. § 102(a)(5) (1998).

2. Copyright owners do not forfeit protection by failing to register their work. However, the author of an original work is wise to register the work promptly with the Copyright Office to ensure their ability to file suit and recover certain monetary remedies in the event of copyright infringement. First, successful registration constitutes "prima facie evidence of the validity of the copyright." 17 U.S.C. §410(c) (1998). Also, a copyright owner must register his or her copyright before an infringement action may be brought. *See* 17 U.S.C. § 411(a) (1998). Finally, untimely registration may limit or prevent awards of statutory damages and attorney's fees to prevailing copyright owners in infringement actions. *See* 17 U.S.C. § 412 (1998).

3. Valid notice of copyright (e.g. "© John Doe 2000") affixed to a work by the copyright owner provides notice to the public that the work is protected and will generally defeat a defendant's claim of innocent or "non-willful" infringement. 17 U.S.C. § 401(d) (1998).

4. Acme's linens, on which Tomasini's wildflower illustrations were printed, were infringing reproductions or derivative works under § 106 of the Copyright Act. *See* 17 U.S.C. § 106 (1998) (entitled "Exclusive Rights in Copyrighted Works").

designs.

Tomasini was an artist and scientist, not a savvy marketer. He sold original paintings, reproductions, and collections of his work, but had little interest in exploiting other commercial markets. He did not compete with Pacific Mills in any way, choosing instead to concentrate on his botany and art. As a result, Tomasini was wholly unaware of Pacific Mills and their sale of the infringing linens until his wife, while travelling in California, discovered a set of Pacific Mills bed sheets bearing her husband's work in a San Francisco bed-and-breakfast.[5]

Tomasini immediately retained counsel and filed a civil copyright infringement suit against Pacific Mills requesting an injunction and restitution in the amount of the company's ill-gotten profits.[6] The entire line of linens constituted a "smoking gun," as Pacific Mills could not, and did not, dispute that they had infringed Tomasini's intellectual property rights.[7] The court promptly awarded summary judgement against Pacific Mills and ordered that the company be enjoined from further copying and use of the artist's works.[8] Tomasini won the battle, but it would prove to be a hollow and financially unsatisfactory victory.

Unfortunately for the artist, Tomasini's court adopted the prevailing interpretation of 17 U.S.C. § 507(b), the federal Copyright Act's statute of limitations ("507(b)," "Section 507(b)," or "the Statute"). The Statute

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5. This scenario is loosely based on the facts of a civil copyright infringement action brought in 1997 in the United States District Court for the District of Kansas.

6. 17 U.S.C. §504(b) provides that in cases of willful, "non-innocent" infringement, a prevailing copyright owner may recover actual damages suffered by him or her as a result of the infringement [e.g. their own lost revenues], and any profits of the infringer that are attributable to the infringement." 17 U.S.C. § 504 (1998). Section 504(b) prevents "double recovery" of *both* damages and the infringer's profits by adding that only those profits "not taken into account in computing the actual damages" may be recovered. *Id*.

A prevailing copyright owner may elect, at any time before final judgement is rendered, to recover an award of statutory damages in lieu of actual damages or a defendant's profits. 17 U.S.C. § 504(c) (1998). Injunctive relief and attorney's fees are also routinely awarded to prevailing copyright owners. 17 U.S.C. § 502 (1998); 17 U.S.C. § 505 (1998). This Note focuses, in part, on Section 507(b)'s effect on remedial awards of damages and profits—other remedies (e.g. statutory damages and injunctive relief) are generally beyond its scope.

7. 17 U.S.C. § 501 provides that "[a]nyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright or right of the author . . ." The exclusive rights of the copyright owner include the right to reproduce the copyrighted work, prepare derivative works based on the copyrighted work, and distribute copies of the copyrighted work. 17 U.S.C. § 106 (1998). In the hypothetical case, each time Pacific Mills digitally scanned Tomasini's copyrighted works or printed the works on their linens during the manufacturing process it infringed the artist's work by "reproducing" the work and/or "preparing derivative works." In addition, each time the company sold the infringing linens to retailers or consumers it committed the infringing act of "distribution." Id.

8. Injunctions are granted as a matter of course in cases of copyright infringement, pursuant to 17 U.S.C. § 502 (1998).

provides that "no civil [copyright] action shall be maintained…unless it is commenced within three years after the claim accrued."[9] The court held that Tomasini's claim accrued when Pacific Mills' infringements occurred and, accordingly, started the three-year limitations clock at that time.

Guided by this prevailing interpretation of the Statute,[10] the court refused to award profits to Tomasini for infringements that occurred more than three years prior to the filing of his suit. The court found that Pacific Mills had realized nearly one million dollars in net profits as a direct result of their infringement.[11] However, as all these profits resulted from infringing acts that occurred or were committed more than three years prior to suit, Tomasini received nothing. Pacific Mills retained the full amount—nearly one million dollars—"earned" by the company through their flagrant copying of Tomasini's paintings and their willful and continuing infringement of the artist's intellectual property rights.

As Tomasini learned the hard way, the prevailing interpretation and application of 507(b) leaves many copyright owners a right without a monetary remedy. The current state of the Statute is incorrect and inequitable not because it bars copyright infringement suits and other actions (it does not), but because it drastically limits, and often eliminates entirely, monetary awards to deserving and reasonably diligent copyright owners such as Tomasini, while leaving infringers such as Pacific Mills wealthier and

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9. 17 U.S.C. § 507(b) (1998). The Statute is entitled "Limitations on Actions."

10. *See* 3 NIMMER ON COPYRIGHT § 12.05[A] at 12-115-16 (1997) (stating that "the prevailing view is . . . that the statute of limitations bars recovery on any damage claim that accrued over three years prior to filing of suit" and that "the time 'the claim accrued' … is the time that the infringement upon which suit is based occurred"); Hotaling v. Church of Jesus Christ of Latter-Day Saints, 118 F.3d 199, 202 (4th Cir. 1997) ("[U]nder the prevailing view, a party cannot reach back, based on acts of infringement that accrued within the limitations period, and recover for claims that accrued outside the limitations period."); Merchant v. Levy, 92 F.3d 51, 57 n.8 (2d Cir. 1996) ("Recovery is barred for any infringing acts occurring more than three years prior to suit."); Roley v. New World Pictures, Ltd., 19 F.3d 479, 481 (9th Cir. 1994) (no "reach back" for infringements occurring outside the statutory period); Makedwde Pub. Co. v. Johnson, 37 F.3d 180, 182 (5th Cir. 1994) (defendant liable only for acts of infringement committed within three years prior to plaintiff's lawsuit"); Kregos v. Associated Press, 3 F.3d 656 (2d Cir. 1993); Stone v. Williams, 970 F.2d 1043, 1049-50 (2d Cir. 1992) ("[r]ecovery is allowed only for those acts occurring within three years of suit, and is disallowed for earlier infringing acts.").

Some courts have chosen not to enter the fray. See, e.g., MAI Basic Four, Inc. v. Basis, Inc., 962 F.2d 978, 987 n.9 (10th Cir. 1992) (noting, but not resolving, the "division in the interpretations of the statute," but adding that "the substantial risk of claims of [the plaintiff] being barred may not be disregarded").

11. Only those damages and profits that are a *result of* or *directly attributable* to the infringement may be awarded. *See* 17 U.S.C. § 504(b) (1998). Courts must routinely engage in the difficult and somewhat inexact process of apportioning damages and profits between those attributable to the infringement (e.g. sales and revenue resulting from Tomasini's floral designs) and those attributable to other sources (e.g. sales and revenue resulting from Pacific Mills' high quality material or low prices).

undeterred. As the above hypothetical suggests, resolving the Statute's ambiguities is not an empty exercise in statutory interpretation and legal lexicon. To the contrary, millions of dollars in damages and ill-gotten profits are at stake, and plaintiffs seeking monetary recovery for copyright infringement are directly and adversely effected by the current state of the Statute.

Section II of this Note examines the purposes of copyright protection and monetary awards in cases of copyright infringement. Section II also reviews the legislative and judicial history of the Statute, and the purposes of statutes of limitations in general, in order to shed light on how 507(b) reached its current, unfortunate state. Section III of this Note analyzes the plain language of the Statute, the proper definition of "accrual" in the context of a copyright infringement claim, the prevailing "backwards" interpretation and application of 507(b), and the proposed forward-looking application of the Statute. Section III also examines how this proposed version is consistent with the Constitutional purposes of copyright protection, the goals of monetary remedies, and the rationale behind statutes of limitation in general.

Sections IV and V of the Note conclude that the Copyright Act and Section 507(b) should be amended by Congress or definitively interpreted by the Supreme Court to allow a reasonably diligent copyright owner to reach back and recover damages or profits for *all* copyright infringements, including those committed more than three years prior to filing of the infringement suit. Specific language for the proposed amendment is provided in Section IV.

II. THE STATUTE

Section 507(b) provides that "no civil [copyright] action shall be maintained…unless it is commenced within *three years after the claim accrued*."[12] Contrary to the contention of one court that the Statute is "clear on its face,"[13] the language of 507(b), and the word "accrued" in particular, has been a source of continuing disagreement and misinterpretation by the courts.[14] A review of the purposes of copyright protection, monetary awards,

12. 17 U.S.C. § 507(b) (1998) (emphasis added).

13. Roley, 19 F.3d at 481.

14. Because Congress is apparently enamored with the language of "accrual," courts must continue to wrestle with other federal statutes of limitations on whose interpretation the correct definition of "accrual" depends. For example, the Supreme Court granted certiorari to clarify 28 U.S.C.§ 2401(b), the limitations provision applicable to tort claims against the United States. United States v. Kubrick, 444 U.S. 111 (1979). The provision provides that "[a] tort claim against the United States shall be forever barred unless it is presented in writing to the appropriate Federal agency within

and statutes of limitations in general, and the legislative and judicial history of 507(b) shed light on how the Statute reached its current state.

A. The Purposes of Copyright Protection and Monetary Awards

Copyright protection, and intellectual property protection in general, is aimed at striking a balance between societal benefits and the encouragement and reward of individual creativity. While the framers of the Constitution explicitly provided copyright protection in the United States "to Promote the Progress of Science and useful Arts,"[15] intellectual property law in the United States is also fundamentally about incentives to invent and create.[16] While copyright law makes reward to the copyright owner a secondary consideration to societal benefits,[17] the Supreme Court has noted that copyright protection nonetheless is intended to "motivate the creative activity of authors and inventors by the provision of a special reward"[18] and to "grant valuable, enforceable rights to authors, publishers, etc."[19] Most, if not all, copyright owners hope and expect to reap the financial rewards of their creativity. Accordingly, the Copyright Act provides that the owner of a protected and infringed work may recover his or her actual damages or the infringer's illegal profits.[20]

A monetary award to a copyright owner whose work has been infringed

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two years after such claim accrues . . . " 28 U.S.C. § 2401(b) (1998). The Court held that a claim "accrues" within the meaning of the statute when the plaintiff knows both the existence and the cause of his injury, rather than at the time he learns that acts inflicting the injury might constitute a tort. Kubrick, 444 U.S. at 122.

Similarly, the failure of Congress and the Supreme Court to define "accrual" in the context of 18 U.S.C. §§ 1961-1968 (the civil and criminal provisions of the 1994 Racketeer Influenced and Corrupt Organizations ("RICO") Act) has resulted in the federal courts' development of *four distinct rules* for determining when a civil RICO action accrues and when the statute limitations begins to run. For an excellent discussion of the "accrual" of a civil cause of action under RICO, see Dana P. Babb, Recent Development, *Asked But Not Answered—Accrual of Private Civil RICO Claims Following* Klehr v. A.O. Smith Corp., 76 WASH. U. L.Q. 1149 (1998).

15. U.S. CONST., art. I, § 8, cl. 8.

16. *See* ROBERT P. MERGES, et al., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 12 (1997).

17. *See* Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (Stating that "private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts" and that "the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good").

18. Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984).

19. Mazer v. Stein, 347 U.S. 201, 219 (1954). The *Mazer* Court added that "[s]acrificial days devoted to . . . creative activities deserve rewards commensurate with the services rendered." *Id*. It is important to note that while rewarding copyright owners may be a "secondary consideration," statements supporting the protection of willful copyright infringers are entirely absent from the Constitution, Copyright Act, and legislative history.

20. *See supra* note 6.

serves several specific purposes. In enacting the Copyright Act, Congress noted that actual damages are awarded to compensate a copyright owner for financial losses resulting from infringement (e.g. lost sales or market share), while an infringer's profits are awarded to prevent an infringer from unfairly benefiting from a wrongful act and to deter would-be infringers.[21] In the Section I hypothetical scenario, the copyright owner incurred no actual damages; Tomasini was not in the linen business and lost no sales or market share to Pacific Mills as a result of the infringing activities. Instead, Tomasini sought monetary relief in the amount of Pacific Mills' profits. As Tomasini learned, however, the Statute directly impacts monetary awards by dictating and limiting the period for which a copyright owner may reach back and recover actual damages or an infringer's profits.

B. The Purposes of Statutes of Limitations, and the Birth of 507(b)

Section 507(b), and statutes of limitations in general, have historically been justified in several ways. One justification is repose for defendants and society; the concept that infringers should, at some point in time, be able to rely on a copyright owner's silence and failure to file suit and that courts should not be overburdened with "stale claims."[22] Another common justification for statutes of limitation is "evidentiary" in nature, based on the concept that parties should not lose the ability to present a case in court due to "the loss of evidence [and] fading memories" and the disappearance of witnesses and documents.[23]

The original federal Copyright Act contained a three-year statute of limitations for *criminal* copyright infringement proceedings[24] but contained

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21. *See* H.R. REP. NO. 94-1476, at 161 (1976). *See also* Andrew W. Coleman, *Copyright Damages and the Value of the Infringing Use: Restitutionary Recovery in Copyright Infringement Actions*, 21 AIPLA Q.J. 91, 93.

22. United States v. Kubrick, 444 U.S. 111, 117 (1979). The *Kubrick* court stated that "statutes of limitations . . . represent a pervasive legislative judgement that it is unjust to fail to put the adversary on notice to defend within a specified period of time and that 'the right to be free of stale claims in time comes to prevail over the right to prosecute them.'" *Id*. *See also* David E. Harrell, *Difficulty Counting Backwards from Three: Conflicting Interpretations of the Statute of Limitations on Civil Copyright Infringement*, 48 SMU L.Rev. 669, 673-74 (1995). Harrell emphasizes the purpose of statutes of limitations in concluding, contrary to the conclusion of this Note, that the prevailing interpretation of the Statute is "consistent with the goals of statutes of limitations: to protect against the loss of evidence and provide repose for defendants and society." *Id*. at 685.

23. Kubrick, 444 U.S. at 117; *see also* Taylor v. Meirick, 712 F.2d 1112, 1119 (7th Cir. 1983); Harrell, 48 SMU L.Rev. at 674.

24. The criminal copyright infringement statute of limitations survives today as § 507(a) of the Copyright Act, which provides that "no criminal proceeding shall be maintained . . . unless it is commenced within five years after the cause of action arose." 17 U.S.C. § 507(a) (1998). Section 507(a) originally provided for a *three* year limitations period, but was recently amended to extend the

no such statute for *civil* copyright infringement actions until 1957. Prior to that time, federal courts in civil copyright infringement actions applied the applicable tort statute of limitations of the state in which the action was brought.[25] In 1957, Congress enacted a statute of limitations for civil copyright infringement actions,[26] citing concerns over the "wide divergence of time periods" provided in the statutes of limitation of various states and the potential for "forum shopping" by copyright owners.[27]

In enacting the Statute, Congress emphasized that Section 507(b) was to "extend to the *remedy* of the person affected thereby, and not to his substantive rights."[28] Adding that "statutes of limitations take the form of [either] a limitation upon the substantive right or upon the remedy," Congress noted that "under [this] remedial type of statute, the basic right is not

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period to *five* years. This Note confines its scope to *civil* copyright infringement actions.

Section 507(b) was enacted, in part, in response to the existing criminal statute of limitations. Congress sought to determine "the most equitable period [for a civil statute of limitations]…in view of the existing three-year period with regard to criminal actions." S. REP. NO. 85-1014, at 2 (1957). Interestingly, while Congress was apparently seeking consistency among the two statutes, they failed to adopt consistent language. Section 507(a), the criminal statute, starts the five-year "clock" when a "cause of action arises," while Section 507(b), the civil statute, starts its three-year clock when a "claim accrues." 17 U.S.C. § 507(a), (b) (1998). As one commentator noted about this discrepancy, "[t]he use of 'claim' rather than 'cause of action' for civil purposes is in harmony with Federal Rules of Civil Procedure practice. Query, however, whether there is any substantive significance between 'arose' and 'accrued?'" 3 NIMMER at 12-115.

25. *See* 3 NIMMER at 12-115.

26. Originally codified in 1957 as 17 U.S.C. § 115(b), the statute of limitations was re-codified in 1976 as 17 U.S.C. § 507(b).

Congress intended Section 507(b) to "provide a uniform [statute of limitations] period throughout the United States." S. Rep. No. 85-1014, at 4 (1957). The Statute did, of course, provide a uniform three-year time period throughout the United States. However, the Statute has not been interpreted or applied uniformly and, as such, its success in eliminating "forum shopping" appear doubtful. See, e.g., David E. Harrell, Comment, *Difficulty Counting Backwards From Three: Conflicting Interpretations of the Statute of Limitations on Civil Copyright Infringement*, 48 SMU L. REV. 669, 685 (1995) (concluding that "the goals of uniformity have not been met).

27. S. REP. NO. 85-1014, at 2 (1957). The Senate Report noted that "in Alabama the statute of limitations applied to this type of action is [one] year," in New York the period was "apparently [six] years," and in Wyoming "the period was [eight] years." *Id*. The Report, citing California's two-year statute of limitations due to the "centralization of the movie industry," added that "[s]tates where the incident of copyright actions is low have applied longer periods for the commencement of actions." *Id.* Finally, the Report noted that the legal adviser of the Copyright Office, representatives of the American Bar Association, and "interested industrial associations" agreed to a three-year uniform statute of limitations, "feeling that this represents the best balance attainable to this type of action." *Id.*

28. *Id*. at 3. (emphasis added). *See also* Stone v. Williams, 970 F.2d 1043, 1051 (2d Cir. 1992) ("Merely because [the plaintiff] could have brought suit in 1979 does not prevent her suit (only some of the relief sought) in 1985. To hold otherwise would ignore the long established rule that statutes of limitations bar remedies, not the assertion of rights"). The *Stone* court seemed unaware that many statutes of limitations bar substantive rights and not remedies. For example, the patent statute of limitations (35 U.S.C. § 286) is "a limitation upon the *substantive right* rather than upon the remedy." S. REP. NO. 85-1014, at 3 (1957). (emphasis added).

extinguished, but *the limitation is applied merely to the remedy*."[29] Courts would later invoke this legislative language in defending their interpretation that 507(b) bars any and all monetary remedies for infringements occurring more than three years prior to the filing of the infringement suit.[30]

C. Judicial Interpretation of 507(b): The Courts Enter the Fray

As one court noted, it is odd that, considering how often the situation presented in Section I must arise, there is so little case history discussing the Statute's application in such instances.[31] Given the prevailing interpretation of Section 507(b) and supporting court decisions, however, it is clear that a case involving facts similar to those of Section I would almost invariably result in the same holding and the denial of an adequate and equitable monetary remedy to a deserving and reasonably diligent copyright owner.[32]

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29. S. REP. NO. 85-1014, at 3 (1957) (emphasis added). In the hypothetical example of Section I, Tomasini retained the substantive right to file an infringement suit, but her monetary remedy was barred.

The Senate Report stated that "[I]t is believed that the nature of copyright infringement, together with the relatively short period of limitation proposed in this bill, warrants the conclusion that a limitation on the remedy is appropriate." *Id*. at 5. Congress failed to elaborate on what it considered the "nature of copyright infringement."

Congress had one eye fixed on the statute of limitations contained in the federal Patent Act as they drafted § 507(b). The patent statute of limitations, codified as 35 U.S.C. § 286, provides that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." In enacting 507(b), Congress noted that they were aware that "the [six-year] statute of limitations in the patent code . . . is a limitation upon the substantive right rather than upon the remedy" and added that "the relatively longer period of limitation provided [in the patent statute of limitations] compensates for the difference in concept." *S. Rep. No*. 85-1014, at 3 (19570. Congress apparently reasoned that statutes of limitations barring substantive rights (e.g. the Patent Act's statute of limitations) were significantly more harsh than those merely barring remedies (e.g. 507(b)) and that, therefore, providing a longer period for the former struck an equitable balance.

Section 507(b)'s language of "accrual" is not the only source of confusion in the respective statutes of limitation contained in the Patent and Copyright Acts. Congress continued to struggle with their nomenclature in writing and titling the copyright and patent statutes of limitation. Strangely, the Patent Act's statute of limitation, ostensibly a limit upon the *substantive right*, is entitled "Time Limitation on *Damages*," while 507(b), designed to impose a limit on the *remedy*, is entitled "Limitations on *Actions*."

30. *See infra* note 53 and accompanying text.

31. 712 F.2d 1112, 1118 (7th Cir. 1983). The *Taylor* court noted the "tendency in modern law is to toll the statute of limitations until the victim could reasonably have discovered the cause of his woe," but admitted that they could not "find a copyright case on point." *Id*. at 1117-18. The court observed that "[o]ddly, considering how often the issue must arise, we have found little mention of such a rule in the cases." *Id*. at 1118. One possible explanation for the paucity of cases on point is that the Statute's prevailing application effectively deters copyright owners from seeking monetary relief for infringements occurring more than three years prior to the time they were able to detect the infringements and file suit.

32. Only in the Seventh Circuit, in light of the *Taylor* holding based on the questionable "continuing wrong" theory, might a plaintiff copyright owner "reach back" and recover for infringing

While courts have been all over the map regarding the Statute's interpretation and application since its enactment, one groundbreaking case—and its subsequent and nearly universal rejection—is critical in understanding Section 507(b).

1. Taylor v. Meirick: Getting it Right, for the Wrong Reasons

In 1983, the Seventh Circuit addressed the question of whether a plaintiff copyright owner "can complain about infringing sales that *occurred* more than three years before he sues."[33] The court, in *Taylor v. Meirick*,[34] addressed facts similar to those of the Section I hypothetical and answered in the affirmative.

In *Taylor*, the defendant reproduced and sold copyrighted fishing maps without the plaintiff's authorization.[35] The plaintiff learned of the infringements in 1979 and promptly filed suit on May 8, 1980.[36] The defendant argued that the Statute barred the plaintiff's suit and any monetary remedy because the defendant had stopped selling the maps to retailers before May 8, 1977,[37] three years before the suit was filed. The court disagreed, characterizing the defendant's infringement as a "continuing wrong"[38] and noting that "the initial copying was not a separate and completed wrong but simply the first step in a course of wrongful conduct that continued till the last copy of the infringing map was sold" by the defendant.[39] Because the plaintiff did not discover the infringing maps until 1979, and because the defendant's "final act of an unlawful course of conduct" occurred within three years of filing,[40] the *Taylor* court allowed the

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acts committed more than three years prior to filing of the suit.

33. Taylor v. Meirick, 712 F.2d 1112 (7th Cir. 1983) (emphasis added).

34. *Id*.

35. *Id*. at 1117-18.

36. *Id*. The *Taylor* court noted that the plaintiff was allowed to "collect damages for acts of infringement more than three years in the past" largely because he "sued promptly when he discovered that the infringing maps were . . . being sold." *Id*. at 1119. The court added that the plaintiff "was unaware of the infringements until 1979, and (in part because of [the defendant's] efforts at concealment) could not have been expected to discover them earlier by the exercise of reasonable vigilance." *Id.*

37. The court assumed that "[the defendant] really did stop selling the maps before May 8, 1977," but ultimately reasoned that the date the defendant stopped infringing was irrelevant because of the "uncontested fact that [the plaintiff] did not *learn* of the infringements until 1979," well within three years of filing suit. 712 F.2d at 1117 (emphasis added).

38. *Id.* at 1119.

39. *Id*.

40. *Id*. The defendant's retailers continued to sell infringing maps manufactured by the defendant until 1979, and the defendant "made insufficient efforts to prevent [the retailers] from doing so." *Id.* at 1117.

plaintiff to "reach back and get damages for the entire duration of the alleged violation."[41] The plaintiff copyright owner was awarded damages for *all* of the infringements, including those occurring more than three years prior to the filing of the suit.[42] The *Taylor* court relied almost entirely on the "continuing wrong" theory in justifying a damage award for infringements committed outside the three year period. This reliance would later prove fatal to the case's acceptance by other courts.[43]

2. *Rejecting Taylor and the "Continuing Wrong" Theory: Throwing the Baby Out with the Bath Water*

Nearly all courts, including the Second, Fourth, Fifth, Sixth, and Ninth Circuits, have rejected the Seventh Circuit's "continuing wrong"-based holding in *Taylor*.[44] These courts strictly limit monetary recovery to infringements *occurring* or *committed* within three years prior to filing.[45] The

41. 712 F.2d at 1119.

42. *Id*. at 1122. The court affirmed a finding that Taylor, the plaintiff, had lost $19,300 in sales as a result of the defendant's infringement. *Id*.

43. In addition to invoking the "continuing wrong" theory, the Taylor court emphasized that the defendant had "fraudulently concealed" his infringement by affixing his own fraudulent copyright notice on his copies of the plaintiff's maps. 712 F.2d at 1118. Section 507(b) does not include specific language regarding the tolling of the Statute due to equitable considerations such as the infringer's fraudulent concealment. However, the Senate Report noted that including this language was "unnecessary, inasmuch as the 'federal district courts generally recognize these equitable defenses anyway.'" S. REP. NO. 85-1014, at 3 (1957). The Report stated that "[e]quitable considerations are available to prolong the time for bringing suit in such cases where there exist the disabilities of insanity [or] infancy, absence of the defendant from the jurisdiction, fraudulent concealment, etc." *Id.* It is also conceivable that duress or coercion against filing suit could toll the statute of limitations. See NIMMER § 12.05[B] at 12-124.9.

The law is clear that fraudulent concealment of the existence of a cause of action tolls the running of the statute of limitations. *See* Stone v. Williams, 970 F.2d 1043, 1048 (2d Cir. 1992). The *Stone* court concluded, however, that "[f]raudulent concealment does not lessen a plaintiff's duty of diligence; it merely measures what a reasonably diligent plaintiff would or could have known regarding the claim." *Id*. at 1048-49. In addition, the defendant's concealment of an infringing work will not cause a tolling of the statute if the plaintiff is aware of facts that should put him on inquiry as to a potential infringement claim. *See, e.g*., NIMMER § 12.05[B] at 12-124.9; Prather v. Neva Paperbacks, Inc., 446 F.2d 338 (5th Cir. 1971).

44. *See, e.g*., Hotaling v. Church of Latter-Day Saints, 118 F.3d 199, 202(4th Cir. 1997); Roley v. New World Pictures, Ltd., 19 F.3d 479, 481 (9th Cir. 1994); Stone v. Williams, 970 F.2d 1043, 1049-50(2d Cir. 1992); Hoste v. Radio Corp. of Am., 654 F.2d 11, 11 (6th Cir. 1981); In re Independent Service Organizations Antitrust Litigation, 964 F.Supp. 1469, 1478 (D.Kan. 1997) ("[c]ourts generally have not extended the continuing wrong theory beyond the facts of *Taylor* and, in many cases, rejected the theory as a matter of law in the copyright infringement context").

45. *See, e.g*., Stone v. Williams, 970 F.2d 1043, 1049-50 (2d Cir. 1992) (applying the Statute in the context of copyright renewal and holding that "[r]ecovery is allowed only for those acts *occurring* within three years of suit, and is disallowed for earlier infringing acts.") (emphasis added). Ironically, the *Stone* court adopted a definition of "accrual" that is entirely inconsistent with this rigid application. *See infra* note 57 and accompanying text.

Fifth Circuit noted that "[t]he *Taylor* court seems to have expanded the definition of [copyright] infringement to include a defendant's actions outside the limitations period which continue to cause harm to the plaintiff within the period."[46] The Ninth Circuit explicitly rejected the "continuing wrong" doctrine in cases of copyright infringement by stating flatly that the Statute "does [not] provide for any reach back if an act of infringement occurs within the statutory period."[47] One court correctly noted that "the continuing violation doctrine has been applied very infrequently outside the Title VII employment discrimination context" and that "[t]he limited areas in which courts have broadened the doctrine's application have involved explicit statutory language, unequivocal legislative intent, or contractual agreements."[48]

Unfortunately, based on the Seventh Circuit's unnecessary adoption of the "continuing wrong" theory, other courts have been able to readily and conveniently dismiss the *Taylor* decision. As the following Section illustrates, the *Taylor* court need not have relied on this discredited theory to arrive at the same, equitable result. The proper definition of "accrual" and the correct "forward" application of the Statute would have sufficed.

III. ANALYSIS

A. The Prevailing "Backwards" Application of the Statute

It is understandable how courts have come to misinterpret the Statute and arrive at the current interpretation. The Statute seems, at first glance, to provide a clear "starting point" from which the courts can calculate monetary awards—the easily ascertainable filing date of a civil action. Similarly, the dates the infringing acts were committed provide a convenient "ending point."

Courts eager to define the period for which monetary remedies may be awarded may simply "count backwards"[49] three years from the filing date

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46. Makedwde Publishing Company v. Johnson, 37 F.3d 180, 182 (5th Cir. 1994). The *Makedwde* court tersely concluded that it was "persuaded by the Ninth, Sixth and Second Circuits' interpretation of section 507(b)." *Id*.

47. Roley v. New World Pictures, Ltd., 19 F.3d 479, 481 (9th Cir. 1994) (citing Hoey v. Dexel Systems Corp., 716 F.Supp. 222, 223 (E.D.Va. 1989)).

48. United Cities Gas Co. v. Brock Exploration Co., 984 F.Supp. 1379, 1388 (D.Kan. 1997). Unfortunately, Section 507(b)'s statutory language and legislative history are entirely silent on the "continuing wrong" doctrine. *See* S. REP. NO. 85-1014 (1957).

49. The concept of "counting backwards" is gleaned from David E. Harrell's analysis of 507(b) in *Difficulty Counting Backwards From Three: Conflicting Interpretations of the Statute of Limitations on Civil Copyright Infringement.* 48 SMU L. REV. 669 (1995). Harrell concludes, in direct contrast to

and award damages or profits only for infringing acts committed within that period. For example, *in Roley v. New World Pictures, Ltd.*,[50] a case involving the alleged infringement of the plaintiff's screenplay by the defendant film producer, the Ninth Circuit first noted that the plaintiff copyright owner filed his suit on February 7, 1991. Counting back three years, the court stated that the Statute therefore barred "recovery of any damages [for claims] that accrued prior to February 7, 1988."[51] Finding that the plaintiff failed to produce any evidence that the defendant engaged in "actionable conduct" within the three-year period, the *Roley* court affirmed the district court's holding that the Statute barred any and all monetary relief.[52]

By viewing the Statute in this backwards manner, courts are able to turn 507(b) on its head, ignore the sticky issues of accrual, and justify their holdings by reminding the empty-handed plaintiff that the Statute was intended to "extend to the remedy."[53] Avoiding untidy questions about when a claim "accrues" in favor of easy determinations about the date the suit was filed and the dates infringing acts *occurred* is an understandable judicial reaction, but it results in an application of 507(b) that cannot be justified by either the Statute's plain language or its legislative history.[54]

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the conclusion reached by this Note, that a strict rule "[l]imiting damages to recovery only for infringements *occurring* within the [three-year] statutory period is consistent with the language of the statute, as well as the stated drafters' intent." *Id*. at 677 (emphasis added).

50. 19 F.3d 479 (9th Cir. 1994).

51. *Id*. at 481.

52. *Id*. at 482. *See also* Wood v. Santa Barbara Chamber of Commerce, Inc., 507 F.Supp. 1128 (D. Nev. 1980). In *Wood*, the court first noted that the "[p]laintiff filed this action on January 2, 1979." *Id*. at 1134. The court then adopted the prevailing application of the Statute, counted back three years from the filing date, and concluded that the "plaintiff may sue only for those alleged infringements occurring on or after January 2, 1976." *Id*. at 1135.

In the Section I scenario, the court applied this "backwards" interpretation of the Statute by (1) determining the filing date, (2) counting back three years, and (3) awarding Tomasini nothing because no infringements were committed within that three-year period.

53. S. Rep. No. 85-1014, at 3 (1957). *See* Stone v. Williams, 970 F.2d 1043, 1051 (2d Cir. 1992) (limiting plaintiff to recovery for infringing acts occurring within three years of suit, and explaining that "to hold otherwise would ignore the long established rule that statutes of limitations bar remedies . . . "; *see also* Merchant v. Levy, 92 F.3d 51 (2d Cir. 1996). The *Merchant* court correctly held that "[a] cause of action accrues when a plaintiff knows or has reason to know of the injury upon which the claim is premised." Id. at 56 (citing Stone v. Williams, 970 F.2d 1043, 1048 (2d Cir. 1992)). However, the *Merchant* court then inexplicably reverted to the strict and incorrect interpretation of the Statute by concluding, in a terse footnote, that their holding "[did] not disturb [its] previous rulings that a copyright owner's . . . recovery is barred for any infringing acts *occurring* more than three years prior to suit." 92 F.3d at 57 n.8 (emphasis added).

When viewed in light of the Statute's plain language, Congress's admonishment that the Statute extends to the remedy ultimately means only that damage and profit awards (the remedy) are limited to infringement claims *accruing* within three years of filing. The proposed interpretation and application of the Statute is consistent with this Congressional caveat.

54. Many courts devote considerable time and effort to deciding whether, for purposes of the Statute, each act of infringement in a continuing series is a distinct harm giving rise to an independent

B. When Does A Copyright Infringement Claim Accrue?

Determining the moment when a copyright infringement claim accrues is not an empty exercise. It is critical because, by the plain language of the Statute, the three-year limitations "clock" begins to run at that moment.[55] Courts that interpret and apply the Statute's "accrual" language generally follow one of two approaches. Some courts hold that a copyright infringement claim accrues when the infringement(s) on which the claim(s) is based *occurs*.[56] Others subscribe to the "discovery rule," which provides that a copyright infringement claim accrues when the copyright owner *knows* of the infringement on which the claim is based or is "chargeable" with such knowledge.[57] Given the Statute's plain language and legislative history, only

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claim of relief, or whether each act is merely a part of a single, unified claim (i.e. *Taylor*'s "continuing wrong"). *See, e.g.*, Makedwde Publishing Company v. Johnson, 37 F.3d 180 (5th Cir. 1994) (concluding that "each act of infringement . . . [gives rise] to a separate claim" and that "the conflict between the Seventh Circuit decision in *Taylor* and the Second Circuit decision in *Stone* turns on each court's definition of infringement"). Id. at 182.

However, like the issues of "fraudulent concealment" and "continuing wrongs," discussing the nature and definition of copyright infringement is a red herring for purposes of correctly interpreting and applying the Statute. This is particularly evident in light of the fact that a plaintiff copyright owner may file a single suit for a single infringing act or for an entire ongoing series of infringements. It simply does not matter whether one or more infringements are considered separate and distinct torts or a single "continuing wrong." The hypothetical situation of Section I provides an example. If the entire series of infringing acts committed by Pacific Mills was treated as a single, continuing wrong, then that continuing wrong would have accrued at the moment Tomasini's husband informed her that he had seen a Pacific Mills sheet bearing her copyrighted work. On the other hand, if one treated each infringement by Pacific Mills as a discrete act giving rise to a separate claim, Tomasini's claim for each and every discrete infringing act would *still* have accrued when her husband informed her about the sheet. At that moment, Tomasini would have known of at least one individual infringing act, and reasonably should have known or suspected that Pacific Mills had committed other, similar infringements. Discussions about the nature and definition of copyright infringement(s) do not address the critical issue courts must eventually wrestle with in applying the Statute—the date or dates the infringement(s) on which the complaint is based *accrued*.

55. Section 507(b) is not the only statute requiring courts to interpret and define "accrual." In *United States v. Kubrick*, the Supreme Court struggled with the language of accrual in the context of the limitations provision of the Federal Tort Claims Act, which bars tort claims against the federal government unless they are "presented in writing to the appropriate Federal agency within two years after such claim accrues." 28 U.S.C. § 2401(b) (1998). The *Kubrick* Court emphasized that "the word 'accrues' has created problems that need legislative attention." United States v. Kubrick, 444 U.S. 111, 129 n.5 (1979) (Stevens, dissenting); *see also supra* note 14 and accompanying text.

56. *See, e.g.*, Los Angeles News Service v. Reuters Television Int'l., Ltd., 149 F.3d 987, 992 (9th Cir. 1998) ("A claim accrues *when an act of infringement occurs*, not when consequent damage is suffered.") (emphasis added); Repp v. Webber, 914 F.Supp. 80, 83 (S.D.N.Y. 1996) ("The period of limitations begins to run *from the moment the defendant commits an infringement*, and when continuing infringement is asserted, from the last act of infringement.") (emphasis added); Woods Hole Oceanographic Inst. v. Goldman, 228 U.S.P.Q. 874 (S.D.N.Y. 1985).

57. *See, e.g.*, Hotaling v. Church of Latter-Day Saints, 118 F.3d 199, 202 (4th Cir. 1997); Merchant v. Levy, 92 F.3d 51, 56 (2d Cir. 1996); Roley v. New World Pictures, Ltd., 19 F.3d 479, 481 (9th Cir. 1994) ("A cause of action for copyright infringement accrues when one has knowledge of a

the latter interpretation is correct.[58]

The word "accrue" is derived from the Latin "ad" and "creso," meaning "to grow to."[59] Dictionary definitions support the conclusion that a claim accrues *over a certain period*,[60] such as the period between the time an infringing act occurs and the time that a reasonably diligent plaintiff discovers or should have discovered the infringement and is therefore put on notice that he or she has a cause of action. These definitions do not suggest that the accrual of a claim is an immediate event concurrent with the moment an infringing act is committed.[61]

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violation or is chargeable with such knowledge."); Stone v. Williams, 970 F.2d 1043, 1048 (2d Cir. 1992) ("A cause of action accrues when a plaintiff knows or has reason to know of the injury upon which the claim is premised."); Taylor v. Meirick, 712 F.2d 1112, 1117 (7th Cir. 1983) (noting that "the tendency in modern law is to toll the statute of limitations until the victim could reasonably have discovered the cause of his woe.").

58. The Supreme Court endorsed the "discovery rule" in *United States v. Kubrick*, a case involving a medical malpractice claim. 444 U.S. 111 (1979). Justice Stevens noted that:

> Essentially, there are two possible approaches to the construction of the word "accrues" in statutes of limitations: (1) a claim might be deemed to "accrue" at the moment of injury without regard to the potentially harsh consequence of barring a meritorious claim before the plaintiff has a reasonable chance to assert his legal rights, or (2) it might "accrue" when a diligent plaintiff has knowledge of facts sufficient to put him on notice of an invasion of his legal rights.

444 U.S. at 126 (Stevens, dissenting).

Justice Stevens added that "[t]he benefits that flow from certainty in the administration of our affairs favor the former approach in most commercial situations." However, the Court explicitly adopted the "discovery rule" by holding that the plaintiff's medical malpractice claim accrued when the plaintiff learned of the existence and cause of his injury. *Id* at 123. About the injured plaintiff, the Court reasoned "[t]hat he has been injured in fact may be unknown or unknowable until the injury manifests itself." *Id*. at 122. However, since the plaintiff waited more than two years (the statutory period) to file a claim after learning of the existence and cause of his injury, the Court barred the plaintiff's action, stating that to hold otherwise "would undermine the purpose of the limitations statute, which is to require the reasonably diligent presentation of tort claims." *Id*. at 123.

59. BLACK'S LAW DICTIONARY 20-21 (6th ed. 1990). BLACK'S states that "[a] cause of action 'accrues' when a suit may be maintained thereon" and notes that "the law in this regard differs from state-to-state and by nature of action (e.g. type of breach of contract, tort, etc.)" *Id*. at 21.

60. Webster's Dictionary defines "accrue" as "to come into existence as a legally enforceable claim," and "to come about as a natural growth, increase, or advantage." WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY 50 (1990). Black's Law Dictionary defines "accrue" as "to increase," "to arise," "to come into force or existence," and "to vest." BLACK'S LAW DICTIONARY 20-21 (6th ed. 1990).

61. It is possible that many courts (and commentators) are simply confusing "occur" with "accrue" and are therefore incorrectly equating the *occurrence* of an infringing act with the *accrual* of the resulting infringement claim. See, e.g., Joseph F. Key, *Recent Decisions: The United States Court of Appeals for the Fourth Circuit*, 57 MD. L. REV. 1157. In the article, the author thoroughly dissects the Fourth Circuit's holding in *Hotaling v. Church of Jesus Christ of Latter-Day Saints* (118 F.3d. 199 (4th Cir. 1997)) but incorrectly concludes that "the [*Hotaling*] court aptly applied the statute of limitations to allow recovery for only those infringing acts that *occurred* within the three-year limitations period." Key, at 1177 (emphasis added). In fact, the *Hotaling* court held that "the statute of limitations bars recovery on claims that *accrued* [more than three years prior to filing of the suit]." 118 F.3d at 202. In the author's defense, the *Hotaling* court itself appeared to confuse "accrue" with "occur." The court concluded that the plaintiff's infringement claims all *accrued* within the three year

Perhaps most telling is the fact that Congress drafted Section 507(b) with one eye on an analogous statute of limitations in the Patent Act,[62] but adopted very different, and considerably more arcane, language in the copyright Statute. Section 286 of the Patent Act provides that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint."[63] This provision clearly and unambiguously starts its six-year limitations clock when an act of patent infringement *occurs*. However, in drafting Section 507(b), Congress chose instead to start the three-year limitations clock when a copyright claim *accrues*. The legislative history of the Statute is silent on Congress's rationale for choosing language of "accrual."[64] It is not unreasonable to conclude, however, that Congress chose not to adopt the patent statute's language because they did not want to equate the accrual of a copyright infringement claim with the occurrence of an infringing act.[65] If Congress had intended the Statute's three-year clock to start when an infringement *occurred*, it certainly knew how to say so in clear and unambiguous language.

Therefore, for purposes of the Statute, the only correct interpretation of "accrual" in the context of 507(b) is that a copyright infringement claim accrues when a copyright owner knows of, or is chargeable with knowledge of, the infringement(s) on which his or her complaint is based. This interpretation of accrual is consistent with the Statute's legislative history,

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period preceding filing of the suit. *Id* at 202-05. The court, however, continued with a lengthy discussion of the defendant's argument that there was no evidence that any infringing act had *occurred* within the three year period preceding filing of the suit. As this Note indicates, the time an infringing act *occurs* is irrelevant for purposes of applying the Statute correctly.

62. 35 U.S.C. § 286 (1998).

63. *Id*.

64. 17 U.S.C. § 507(b) (1998). Congress contrasted the two statutes by explaining that "the relatively longer period of limitation" of § 286 of Patent Act was a result of that section's "different concept"—the six-year patent statute of limitations is intended to be a limitation on the substantive right rather than upon the remedy. This explanation does nothing, however, to shed light on Congress's choice of language of "accrual" in Section 507(b).

65. Other statutes provide insight into the variety of ways in which statutes of limitation may be written. The "Vessell Hull Design Protection Act," now codified at 17 U.S.C. § 1301 et seq., was enacted to provide protection for non-copyrightable and non-patentable boat hull designs, and provides that "[n]o recovery . . . shall be had for any infringement *committed more than [three] years before the date on which the complaint is filed*." 17 U.S.C. § 1323(c) (emphasis added) (entitled "Statute of Limitations"). Coincidentally, this provision exactly describes the prevailing interpretation of 507(b). In contrast, the California Uniform Trade Secrets Act (CUTSA) includes a statute of limitations provision identical to that proposed for the Copyright Act in this Note. The CUTSA is essentially California's codification of common trade secret law, and provides that "[a]n action for misappropriation [of a trade secret] must be brought within *three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered*." Cal. Civ. Code § 3426.6 (West 1997) (emphasis added). The CUTSA adds that "a continuing misappropriation constitutes a single claim." *Id*. This provision of the CUTSA is essentially a codification of the "continuing wrong" theory espoused in *Taylor v. Meirick*.

common definitions of accrual, and the holdings of leading copyright courts, including the Second and Ninth Circuits.[66]

C. The Correct "Forward" Application of The Statute: Fixing the Three Year Clock

On its face, Section 507(b) provides that a copyright owner must file an infringement suit within three years of the time the claim(s) on which the suit is based accrue(s). By its plain language, the Statute provides that the three year limitations clock starts when the infringing act(s) on which the complaint is based accrued. As noted above, a copyright infringement claim accrues when the copyright owner knew or should have known of an infringing act or series of infringing acts. With the plain language of the Statute and the correct definition of "accrual" in hand, application of the Statute becomes a straightforward matter.

Therefore, courts and factfinders would correctly apply 507(b) by (1) determining the accrual date(s) of the infringement claim(s) contained in the complaint, i.e. the date(s) the plaintiff discovered, or by the exercise of reasonable diligence could have discovered, the infringement(s), (2) counting *forward* three years from the accrual date(s), and (3) determining whether the plaintiff copyright owner filed suit within this time period.[67] If the plaintiff

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66. *See, e.g.*, Merchant v. Levy, 92 F.3d 51, 56 (2d Cir. 1996) (barring plaintiff's suit because plaintiff was "charged with knowledge of their [copyright co-ownership] claim as of 1961" but "did not initiate suit until 26 years later"); Roley v. New World Pictures, Ltd., 19 F.3d 479, 481 (9th Cir. 1994) ("A cause of action for copyright infringement accrues when one has knowledge of a violation or is chargeable with such knowledge"); Stone v. Williams, 970 F.2d 1042, 1048 (2d Cir. 1992) ("A cause of action accrues when a plaintiff knows or has reason to know of the injury upon which the claim is premised."). The Second and Ninth Circuits, home to the high-profile New York and California entertainment industries, are generally considered the bellwethers of copyright law.

67. Instead of relying on the continuing wrong theory, the *Taylor* court could have adopted the correct proposed interpretation of the Statute to achieve the same result. In *Taylor*, the plaintiff copyright owner's infringement claims all accrued in 1979 when the plaintiff discovered the infringing maps manufactured by the defendant. As the claims accrued in 1979, and as the plaintiff filed suit on May 8, 1980 (well within the three year period allowed by the Statute), it follows that the *Taylor* court need not have relied on the discredited "continuing wrong" theory in allowing the plaintiff to recover *all* the defendant's profits, including those realized more than three years prior the filing of the suit. The "continuing wrong" theory is a red herring that allowed other courts to reject the correct result reached in *Taylor* while ignoring the plain language of the Statute and avoiding sticky issues of accrual and diligence.

As in *Taylor*, the correct application of the Statute to the facts of the Section I hypothetical would have resulted in Tomasini's recovery of *all* Pacific Mills' profits resulting from their infringement. Given the correct definition of "accrual," Tomasini's infringement claims would all have accrued at the time her husband informed her about Pacific Mills infringing linens. At that moment, Tomasini would have gained actual knowledge of at least one infringement, and would have been put on notice that other infringements were likely. The three-year limitations clock would begin to run, and Tomasini would have three years in which to file suit for all the infringements, both actual and

filed within three years of accrual, the prevailing copyright owner would recover monetary remedies for any and all infringing acts for which relief is sought in the complaint.[68] If not, the plaintiff who failed to file suit within three years after the claim accrued would be barred from recovering damages or profits for the infringing acts. Counting backwards is easier, but it is incorrect, and it can drastically reduce or completely eliminate awards of damages and profits to diligent and deserving copyright owners.

D. Diligence and the Reasonable Copyright Owner

The conclusion that a copyright infringement claim accrues when the copyright owner knew or should have known of the infringement raises several critical questions. Failing a "smoking gun" indication of infringement,[69] when should a copyright owner know of an infringement? How diligent must a copyright owner be in "policing" his or her copyrights?

The *Taylor* court correctly noted that "[a]lthough many cases state that mere ignorance of a cause of action does not toll the statute of limitations, in context these statements invariably mean only that the plaintiff has a duty of diligence: it is not enough that he did not discover he had a cause of action, if a reasonable man in his shoes would have."[70] As a result, the *Taylor* court held that "[o]ften, whether or not the defendant has done anything to conceal from the plaintiff the existence of a cause of action, the statute of limitations is tolled until the plaintiff learned or by reasonable diligence could have learned that he had a cause of action."[71] The leading commentator on copyright law has deemed this rule to be "a more liberal, and what appears . . . to be a better, view on the issue of whether the plaintiff's ignorance of the

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suspected. Tomasini filed suit almost immediately after her claims accrued. A court finding that Pacific Mills had indeed infringed Tomasini's copyright would have therefore been compelled, under the proposed interpretation of the Statute, to award *all* of Pacific Mills' profits to Tomasini, including those realized from infringing acts committed more than three years prior to the filing of the suit.

68. The *Taylor* court correctly noted that a plaintiff copyright owner should be "spared having to bring successive suits" for each individual infringement in a series of continuing infringements. Taylor, 712 F.2d at 1119. A plaintiff copyright owner should (and is) allowed to file a complaint seeking relief for one or more infringements, as most defendants do not commit a single infringing act.

69. The plaintiff in *Roley v. New World Pictures* was fortunate enough to receive just such a "smoking gun" indication of infringement when he viewed a film based on his copyrighted screenplay. 19 F.3d 479, 481 (9th Cir. 1994). The *Roley* court noted that the plaintiff alleged infringement immediately after first viewing the film and that "there is no dispute that [the plaintiff's] claims accrued at that time." *Id*. As the Tomasini hypothetical demonstrates, any copyright owners are not so fortunate in detecting infringements of their copyrights. *See supra* notes 1-11 and accompanying text.

70. Taylor, 712 F.2d at 1118.

71. *Id*. at 1117. The *Taylor* court added that "[I]n a case such as this, where even if there had been no active concealment by the tortfeasor the injured party would have had no reason to suspect that he was the victim of a tort, *there may be no duty of inquiry at all*." *Id.* at 1118 (emphasis added).

infringement will toll the statute."[72]

Courts and juries are thus left with the task of determining when a particular plaintiff discovered, or by the exercise of reasonable diligence could have discovered, that he or she had a cause of action for copyright infringement. The limitations clock starts at this time, and plaintiff copyright owners must file suit before it stops three years later. While this determination often cannot be dispensed with quickly or easily, it is no more difficult than the issues facing courts and juries every day. The proposed interpretation of the Statute will allow courts and juries to weigh the copyright owner's relative duty of diligence,[73] the particular circumstances facing the owner, the type of monetary relief sought,[74] and the nature of the infringing work[75] in deciding whether the plaintiff was reasonably diligent

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72. 3 NIMMER ON COPYRIGHT § 12.05[B] at 12-124.8. In *Parsons v. Tickner*, a California court adopted a rule similar to that espoused by Nimmer and the *Taylor* court. 37 Cal. Rptr. 2d 810 (1995). In *Parsons*, the court held that a deceased composer's daughter had standing to pursue an action for fraud and other related causes against the composer's former business managers 19 years after the composer's death. The defendant business managers who, during the composer's lifetime, administered the composer's copyright royalties, fraudulently claimed that the composer had transferred all copyright interest to them upon the composer's death; they concealed their fraud for years from all the composer's heirs. Under those facts, the *Parsons* court held that the plaintiff "did not know and, in the exercise of reasonable diligence, could not have discovered" the defendant's misappropriation. Accordingly, it allowed the daughter to sue for a constructive trust for all money generated by the music. 37 Cal. Rptr. 2d at 819. The court added that

> where no duty is imposed by law upon a person to make inquiry, and where under the circumstances "a prudent man" would not be put upon inquiry, the mere fact that means of knowledge are open to a plaintiff, and he has not availed himself of them, does not debar him from relief when thereafter he shall make actual discovery.

Id. at 818 (citations omitted).

73. Copyright owners defy neat and definitive categorization. Clearly, however, some copyright owners, particularly large corporations, are blessed with enormous resources (e.g. large, market-savvy and geographically-dispersed sales and marketing staffs) with which to detect infringements of their copyrights. Accordingly, it could be argued that the corporation's claim for a particular infringing act will accrue before an individual's (e.g. Tomasini's in the Section I hypothetical) claim for the same infringement—the corporation may indeed have an enhanced duty of diligence.

74. A prevailing plaintiff may recover either actual damages or the defendant's profits. *See supra* note 6. However, a plaintiff requesting an award of actual damages may have an enhanced duty of diligence in detecting infringements as compared to the plaintiff requesting an accounting of an infringer's profits. Actual damages are, by definition, measured by the infringement's direct monetary effect upon the copyright owner—usually in the form of lost revenues, reduced market share, etc. A copyright owner who loses revenues or market share from an infringing competitor is typically alerted by these adverse effects. Accordingly, this copyright owner's infringement claim may accrue sooner than the claim of a copyright owner who incurs no direct damages and therefore elects to recover the infringer's profits.

The proposed interpretation of the Statute would allow the court latitude to consider factors such as the type of monetary relief sought (damages or profits) and possible "notice" resulting from lost revenues or market share in determining when a particular infringement claim accrued.

75. Infringing derivative works are often, by their very nature, more difficult to detect than infringing non-derivative works. Some derivative works (e.g. a widely-released motion picture based upon a copyrighted screenplay) are, of course, readily detectable by the owner of the underlying

and when his or her particular infringement claim accrued.[76]

E. Reward, Repose and Deterrence

The prevailing application of the Statute, which effectively limits or completely bars recovery of damages or profits by diligent copyright owners, fails to promote Congressional goals. Copyright owners are frequently undercompensated for their labor or losses, or are not compensated at all. Willful, flagrant copyright infringers keep some or all of their ill-gotten profits and remain wholly undeterred, at the expense of artists, authors, software developers, and other copyright owners. In contrast, the proposed application of the Statute is grounded in sound policy. The proposed interpretation of the Statute would deter would-be infringers by ensuring that their illegal activities will ultimately be unprofitable, prevent the unjust enrichment of infringers, and promote the compensation, through licensing and other means, of deserving and reasonably diligent copyright owners.[77]

The argument that society, the courts, and copyright owners should be overly concerned about providing repose to those who willfully steal the intellectual property of another is questionable at best. In any event, the proposed application of the Statute strikes an equitable balance between the plaintiff's interest in being spared having to bring successive suits in cases of multiple infringements, and the defendant's interests grounded in the

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copyrighted work. However, other infringing derivative works are significantly more difficult to detect. In the Section I hypothetical, for example, the infringing derivative work (the linens) was embodied in an entirely different form and medium than the underlying copyrighted work (Tomasini's illustrations). The proposed interpretation of the Statute would allow courts to consider the nature of the infringing work in determining the time an infringement claim accrued.

76. Even diligent, well-staffed, market-savvy Corporate copyright owners may find it difficult to fully police all markets and geographic territories in an effort to detect infringing works. As the *Taylor* court noted,

> [t]he fact that a publisher loses sales to a competitor is not in itself a clue to copyright infringement, since there is vigorous competition among copyrighted works. So we doubt that every time the sales of a publication dip, the publisher must, to preserve his right to sue for copyright infringement, examine all his competitors' publications to make sure none is infringing any of his copyrights.

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

77. The *Taylor* court correctly noted that "[b]y preventing infringers from obtaining any net profit it makes any would-be infringer negotiate directly with the owner of a copyright that he wants to use, rather than bypass the market by stealing the copyright and forcing the owner to seek compensation from the courts for his loss." Taylor, 712 F.2d at 1120.

Congress appears serious about preventing the unjust enrichment of copyright infringers through awards of an infringer's ill-gotten profits to a prevailing copyright owner. For example, § 405 of the Copyright Act immunizes defendants from liability for actual or statutory damages in case of "innocent" infringement. A defendant's *profits*, however, may still be awarded in such cases. 17 U.S.C. § 405 (1998).

"repose" and "evidentiary" justifications for statutes of limitation.[78]

Finally, the proposed interpretation of Section 507(b) is consistent with the Supreme Court's admonition that statutes of limitation "must be strictly adhered to by the judiciary"[79] and "should not be given a grudging application."[80] The Statute will retain its "bite"; copyright owners who know or reasonably should know their work has been, or is being, infringed will not be allowed to "sit on their rights," but will still be required to file an infringement suit within three years or be barred entirely from monetary recovery.

IV. PROPOSAL

As shown, the prevailing backwards interpretation and application of 507(b) can drastically limit or completely eliminate profit and damage awards to highly deserving and reasonably diligent copyright owners. Two solutions—one judicial and one legislative—would resolve the matter.

To date, the Supreme Court has refused to grant certiorari to resolve the dispute over the correct interpretation and application of Section 507(b).[81] The Court should do so at the earliest possible date, preferably in a case involving parties and facts similar to those presented in the hypothetical of Section I, in which a reasonably diligent copyright owner files suit promptly

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78. *See* Taylor, 712 F.2d at 1119. The *Taylor* court noted that "when the final act of an unlawful course of conduct occurs within the statutory period, [the purposes of statutes of limitation] are adequately served . . . by requiring the plaintiff to sue within the statutory period but letting him reach back and get damages for the entire duration of the alleged violation." *Id*. In addressing the "evidentiary" and "repose" rationales for statutes of limitation, the court added that "[s]ome of the evidence, at least, will be fresh" and "the defendant's uncertainty as to whether he will be sued at all will be confined to the statutory period." *Id*.

As previously mentioned, it is questionable whether a willful, continuing copyright infringer is deserving of "repose." Similarly, a defendant's concern with the evidentiary rationale behind statutes of limitation may be unfounded in cases of copyright infringement, given the commercial nature of nearly all infringements and the resulting profusion of detailed transactional records routinely preserved for many years in the course of business.

79. Kavanagh v. Noble, 332 U.S. 535, 539 (1947) (discussing statutes of limitation in the context of a tax statute).

80. Cada v. Baxter Healthcare Corp., 920 F.2d 446, 452-53 (7th Cir. 1990) (Posner, J.). *See also* Kubrick, 444 U.S. 111, 125 (1979) (Steven J., dissenting) (Noting that statutes of limitation "remain as ubiquitous as the statutory rights . . . to which they are attached or are applicable. We should give them effect in accordance with what we can ascertain the legislative intent to have been"). While statutes of limitation should not be given a grudging application, it does not follow that they should be given an incorrect application with no basis in plain language or legislative intent.

81. Certiorari was denied by the Court in *Zuill v. Shanahan*. 80 F.3d 1366 (9th Cir. 1996), *cert. denied*, 117 S.Ct. 763 (1997). However, *Zuill* dealt with Section 507(b) in the context of co-ownership of a copyright, facts distinguishable from those at issue in this Note. The Court also denied certiorari in *Stone v. Williams*. 970 F.2d 1043 (2d Cir. 1992), cert. denied, 113 S. Ct. 2331 (1993). *Stone* was not a copyright infringement case, but involved a claim of entitlement to renew copyrights.

after discovering a continuing, long-term series of willful infringements.

Failing a grant of certiorari, Congress could easily amend the Statute to incorporate clear, unambiguous language and explicitly allow monetary remedies for *all* infringing acts, provided the copyright owner files suit within three years of his or her knowledge (actual or constructive) of the infringing acts. Specifically, Section 507(b) should be amended to read as follows:

> No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim on which the action is based is discovered or, by the exercise of reasonable diligence, should have been discovered.[82]

Alternatively, Congress could leave the language of Section 507(b) intact and simply define "accrual" in 17 U.S.C. § 101, the "Definitions" section of the Copyright.[83]

V. CONCLUSION

The prevailing backwards, inequitable and incorrect interpretation and application of 507(b) drastically limits the extent and amount of monetary remedies available to deserving copyright owners. As a result, creative minds and copyright owners frequently go unrewarded, infringers are allowed to keep significant ill-gotten profits, and would-be infringers remain undeterred.

Interpreting and applying 507(b) in the proposed manner will lead to more equitable monetary awards by allowing the reasonably diligent copyright owner to reach back and recover for *all* infringing acts. The plain language and legislative intent of 507(b), the purposes of copyright law and monetary remedies, and the underlying rationale for statutes of limitations dictate that copyright's three-year clock be fixed.

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82. This language is the same as that used in the California Trade Secrets Act, codified as Cal. Civ. Code §3426.6 (West 1997). The California Trade Secrets Act also explicitly endorses the "continuing wrong" theory by treating continuing trade secret misappropriations as a single claim. *See* Cal. Civ. Code § 3426.6. However, as noted, interpreting and applying 507(b) correctly does not require the adoption of the "continuing wrong" theory; it is sufficient to define "accrual" correctly and apply the Statute in correct "forward" fashion.

83. Other countries have adopted civil copyright statutes of limitations consistent with the proposed version of 507(b). Thailand, for example, has enacted a type of hybrid statute providing that an action for copyright infringement must be initiated *no later than three years* from the date when the owner of the copyright became aware of the infringement, and *no later than ten years* from the date of the infringement itself. *See* INTELL. PROP. IN ASIA 2E § 10.32 at 10-29 (1999).