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Difficulty Counting Backwards from Three: Conflicting Interpretations of the Statute of Limitations on Civil Copyright Infringement

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DIFFICULTY COUNTING BACKWARDS FROM THREE: CONFLICTING INTERPRETATIONS OF THE STATUTE OF LIMITATIONS ON CIVIL COPYRIGHT INFRINGEMENT

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I. THE PROBLEM

THE Copyright Act of 1909 established a three-year statute of limitations for criminal copyright infringement.[1] The 1909 Act did not, however, include a statute of limitations on civil copyright infringement actions.[2] In 1958, after identifying a lack of uniformity and a need to minimize forum shopping by litigants,[3] Congress codified a three-year statute of limitations on civil copyright infringement.[4] After courts began to construe the new statute, it became apparent that the goals of uniformity and decreased forum shopping had not been met.

The federal circuit courts have interpreted the statute of limitations as analogous to a continuing tort; therefore, the courts restrict the relevant procedural analysis to the three-year period that ends with the date upon which a cause of action is filed. As long as an act of infringement occurred within that three-year period, a plaintiff may maintain a cause of action.[5] Consequently, the first infringement need not occur within the three-year period to maintain a cause of action; accrual of the cause of action is not measured from the first infringing act.[6] The first infringement's occurrence outside of the statutory period does not bar a cause of action. One circuit, however, allows recovery for all damages, from the first infraction onward, provided an infraction occurred within the statutory period.[7] Courts within the Second Circuit, among others, have rejected this approach.[8]

As a consequence of the various circuits' differing interpretations, the goals of the 1958 amendment to the Copyright Act are in question. The different interpretations prevent uniformity, and plaintiffs may now attempt to bring suit in the Seventh Circuit, hoping to receive a larger recovery for more years of infringements. This comment reviews the history of the Copyright Act and its statute of limitations, as well as court interpretations of the statute. This comment also suggests a solution

1. Ch. 320, § 39, 35 Stat. 1075, 1084 (current version codified at 17 U.S.C. § 507(a) (1988)). The original 1909 law provided "[t]hat no criminal proceeding shall be maintained under the provisions of this Act unless the same is commenced within three years after the cause of action arose."

2. HERBERT A. HOWELL, THE COPYRIGHT LAW 166 (1952).

3. S. REP. No. 1014, 84th Cong., 1st Sess. 34 (1957), *reprinted in* 1957 U.S.C.C.A.N. 1961 [hereinafter Senate Report].

4. Act of Sept. 7, 1957, Pub. L. No. 85-313, § 1, 71 Stat. 633 (1957). Originally found at 17 U.S.C. § 115(b) (1970), Congress in 1976 re-codified the statute of limitations at 17 U.S.C. § 507(b) (1988). Act of Oct. 19, 1976, Pub. L. No. 94-553, tit. I, § 101, 90 Stat. 2586, 2586 (1976). This provision only applies to actions brought under federal copyright laws. Other actions brought under state common law provisions are governed by the statutes of limitations for each state, as was true before the original civil statute of limitations was enacted in 1958. 2 PAUL GOLDSTEIN, COPYRIGHT 148 n.1 (1989).

5. *See infra* note 21 and accompanying text.

6. GOLDSTEIN, *supra* note 4, at 148.

7. Taylor v. Meirick, 712 F.2d 1112, 1118-19 (7th Cir. 1983) (Posner, J.).

8. Gaste v. Kaiserman, 669 F. Supp. 583, 584 (S.D.N.Y. 1987).

designed to unify the statute of limitations in order to realize the prior goals of uniformity and of minimal forum shopping.

II. HISTORY OF SECTION 507(B)

A. COPYRIGHT ACT OF 1909

The Copyright Act, enacted by Congress in 1909, set a three-year statute of limitations on criminal copyright infringement; however, the statute established no limitations period for civil infringement actions.[9] In civil infringement actions, federal courts continued to apply the statutes of limitations of the state in which suit was filed.[10] Unfortunately, many states did not have a statute of limitations for civil copyright infringement,[11] so most of the courts in those states used the applicable limitations on tort actions.[12] As a consequence, the terms of limitation varied from state to state and ranged from one to six years, depending on the jurisdiction.[13]

Deference to the assortment of state statutes of limitations led to several nationwide problems. First, no uniformity existed in the application

9. *See* 17 U.S.C. § 507(a) (1988). One commentator notes that the original application of this provision (before 1958, codified as 17 U.S.C. § 115) was primarily for the areas of "willful infringement for profit and . . . abuse of the copyright notice with fraudulent intent, or knowingly issuing or selling or importing copies of any article bearing a false notice of copyright." HOWELL, *supra* note 2, at 166.

10. ALAN LATMAN, THE COPYRIGHT LAW 234 (1979); *see, e.g.*, Brady v. Daly, 175 U.S. 148, 158 (1899) (Peckham, J.) (in absence of federal statute of limitations, limitations period in state where action was brought should be applied); Pathe Exch., Inc. v. Dalke, 49 F.2d 161, 162 (4th Cir. 1931) (in absence of federal statute, applying Virginia statute of limitations); McCaleb v. Fox Film Corp., 299 F. 48 (5th Cir. 1924) (applying Louisiana statute of limitations for civil copyright infringement, in absence of federal statute, for production of play *The Scarlet Letter*). The use of state statutes of limitations was one of the problems noted in the Senate Report which accompanied the enactment of § 115(b) in 1957. Senate Report, *supra* note 3, at 1961.

11. *See* letter from L. Quincy Mumford, Librarian of Congress, to Hon. Emanuel Celler, Chairman Senate Committee on the Judiciary (July 11, 1955), [hereinafter Mumford Letter] *reprinted in* Senate Report, *supra* note 3, at 1964.

12. HOWELL, *supra* note 2, at 166. While many district courts relied on state limitations on actions in tort, others applied theories involving conversion, injuries to property or personal rights, trover, and liabilities not under contract. Senate Report, *supra* note 3, at 1961.

13. HOWELL, *supra* note 2, at 166. One author has suggested that three states had possible limitations periods of one year: Alabama, Arizona, and Louisiana. *See, e.g.*, STANLEY ROTHENBERG, COPYRIGHT LAW: BASIC AND RELATED MATERIALS 652-55 (1956). Other states, such as New York and Massachusetts, applied a six-year limitations period. *Id.* The source of such differing local variations was the application of divergent theories for limitation. For example, states such as Connecticut, Louisiana, Massachusetts, and Vermont apply a limitations period based upon tort causes of action (with resulting three-, one-, six- and six-year limitations periods, respectively), while states such as Arizona, New York, and Ohio apply a "statutory liability" theory to create a limitations period (with respective one, six, and six-year limitations periods). *Id.* To further compound the problem, states like North Carolina use multiple theories to create varying limitations periods, such as a two-year period (based upon a "statutory liability" theory), as well as a three-year period (for actions that injure the rights of another). *Id.* In such a state, not only does forum shopping become a consideration, but a plaintiff could plead the same cause of action under either of two theories to take advantage of the inconsistent limitations periods.

of these state statutes.[14] Additionally, national jurisprudence was inconsistent because of the divergent theories adopted in determining a local statute of limitations.[15] Finally, the range of time limits led to widespread forum shopping by litigants.[16] For example, a plaintiff whose copyright was infringed in both California and New York could bring suit in New York for either one or three years, (depending upon which of two limitations theories was applied in New York), after the two-year limitations period expired in California.[17] These three problems were identified by Congress during the 1957 push to amend the Copyright Act.

B. 1957 AMENDMENT

To solve the problems of lack of uniformity, diversity of theories, and forum shopping by litigants, Congress amended the Copyright Act of 1909 to provide a three-year limitations period for civil copyright infringement under the Copyright Act.[18] Congress established the statute to match the Act's limitations period for criminal copyright infringement.[19] Congress not only intended the statutory limitations period to be uniform throughout the states, but also to be uniform for both criminal and civil infringement under the Copyright Act.[20]

Despite displacing numerous state interpretations of limitations periods for civil copyright infringement, the new statute did retain many elements of the common law. Perhaps most importantly, the courts continued to treat infringement as a continuing tort, so plaintiffs only needed to demonstrate that an infringement had occurred within the statutory limitations period to retain their right to recover; the original infringement did not need to occur within the three-year time period before the suit was filed.[21] The new statute also retained equitable tolling doctrines such as the legal disability of an injured party and the absence of a

14. Senate Report, *supra* note 3, at 1962.

15. The interpretation of the Copyright Act, a federal statute, by state courts on divergent state law principles, made limitations a particularly troubling area of copyright law.

16. LATMAN, *supra* note 10, at 234. The Senate Report cited forum shopping as one of the principle reasons for enacting a statute of limitations for civil copyright infringement. Senate Report, *supra* note 3, at 1962.

17. *See, e.g.*, ROTHENBERG, *supra* note 13, at 653.

18. § 507(b).

19. § 507(a). During debate, the Senate noted that there was no "substantial reason" for not having matching limitations periods for criminal and civil infringement, since prosecutions under the criminal provisions were "extremely rare." Senate Report, *supra* note 3, at 1962.

20. Senate Report, *supra* note 3, at 1962.

21. *See* Baxter v. Curtis Indus., Inc., 201 F. Supp. 100, 101 (N.D. Ohio 1962). The *Baxter* court noted that the new statute did not change the nature of infringement as a continuous tort, so the period of limitations began to run from the last, rather than the first, infringing act. *Id.* In reaching this decision, the court relied on Cain v. Universal Pictures Co., 47 F. Supp. 1013 (S.D. Cal. 1942), which was decided before Congress enacted the federal statute of limitations. The *Baxter* court also examined the 1957 amendment's legislative history, which stated "The [C]ommittee wishe[d] to emphasize that it is the [C]ommittee's intention that the statute of limitations contained in [the] bill, is to extend to the remedy of the person effected thereby, and not to his substantive rights." *Baxter*, 201 F. Supp. at 101 (quoting Senate Report, *supra* note 3, at 1963).

defendant from the United States.[22] Finally, the Senate Report suggests that Congress intended to retain any local equitable tolling considerations that applied to the particular state statutes of limitations.[23]

C. 1976 Recodification

In 1976, Congress recodified Section 115(b) at 17 U.S.C. § 507(b).[24] Congress retained the three-year limitations period, and the application of the Copyright Act's infringement provisions became an area of exclusive federal jurisdiction.[25] However, state statutes of limitations continue to control state law actions for civil copyright infringement under the common law.[26]

III. COURT CONSTRUCTION OF STATUTES OF LIMITATIONS

A. Justifications for Limitations

Statutes of limitations have served numerous purposes throughout history. In fact, Justice White noted that limitations "are found and approved in all systems of enlightened jurisprudence."[27] The British common law recognized limitation periods as early as 1540.[28] Despite the existence of statutes of limitations in other systems of jurisprudence, or

22. Senate Report, *supra* note 3, at 1962. The Senate discussed whether the concept of fraudulent concealment should be retained within the statute, but rejected such a provision, stating, "the nature of copyright protection and present practices in the publishing industry reduced [the possibility of fraudulent concealment] to a minimum." *Id.* The Senate also rejected a proposal to specifically enumerate the allowed tolling considerations in the statute. *See* Mumford Letter, *supra* note 11, at 1964.

23. Senate Report, *supra* note 3, at 1963. Despite this suggestion, courts have rejected the use of local equities, although they have retained the one tolling doctrine that Congress specifically rejected, fraudulent concealment. *See* Prather v. Neva Paperbacks, Inc., 446 F.2d 338, 340 (5th Cir. 1971) ("[T]he drafters could not have intended that each court apply those equitable considerations peculiar to its locality since to do so would completely destroy the announced Congressional purpose of providing a [uniform] federal statute of limitations."). The *Neva* court additionally held that since fraudulent concealment is recognized in every federal jurisdiction, it could operate to toll the statute of limitations without disrupting the purpose of uniformity. *Id.* at 340-41.

24. Melville B. Nimmer, Nimmer on Copyright § 12.05, at 12-101 n.2 (1994).

25. 17 U.S.C. § 301 (1988).

26. *See* Goldstein, *supra* note 4, at 148; *see also* Mention v. Gessell, 714 F.2d 87, 89 (9th Cir. 1983) (in common law action for civil copyright infringement, Oregon's two-year period controlled since Oregon was the copyright owner's domicile); Avco Corp. v. Precision Air Parts, Inc., 676 F.2d 494, 496 (11th Cir.), *cert. denied*, 459 U.S. 1037 (1982) (applying Alabama's one-year residual limitations period in absence of contract action or specific statutory period for civil copyright infringement).

27. United States v. Kubrick, 444 U.S. 111, 117 (1979) (White, J.) (quoting Wood v. Carpenter, 101 U.S. 135, 139 (1879)). Justice White suggested "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.' " *Kubrick*, 444 U.S. at 117 (quoting Railroad Tel. v. Railway Express Agency, 321 U.S. 342, 349 (1944) (Jackson, J.)).

28. *See* The Act of Limitation with a Proviso, 1540, 32 Hen. 8, ch. 2 (Eng.). The act provides as follows:

> Forasmuch as the Time of Limitation appointed for suing . . . extend, and be of so far and long Time past, that it is above the Remembrance of any living Man, truly to try and know the perfect Certainty of such Things, as hath or

the justifications for those limitations, American jurisprudence commonly recognizes three justifications for statutes of limitations.

The first justification is that of repose for society.[29] This repose is often interpreted to justify a focus on both society and individual parties to lawsuits. From a societal perspective, repose means that the courts are in no danger of being overburdened with old claims. The Supreme Court noted that "courts ought to be relieved of the burden of trying stale claims when a plaintiff has slept on his rights."[30] From an individual perspective, defendants should have a point at which they no longer fear reprisal for past actions.[31] Such a point would allow potential defendants to engage in business without the fear of loss as a result of actions or behaviors. Thus, statutes of limitations provide repose for defendants as well as society.

The second common justification is that of protecting against parties losing the ability to present a case in court. This primarily protects defendants.[32] The statutes attempt to guard against the loss of evidence,[33] faded memories,[34] and the disappearance of witnesses.[35] The Supreme Court justified this approach on the grounds that eventually the right to be protected from stale claims prevails over the right to prosecute those claims.[36]

The third justification for statutes of limitations deals with the weighing of the relative equities between the respective parties. As noted, the defendant's right to be protected from stale claims eventually takes precedence over the plaintiff's right to recovery. This is justified by the belief that, generally, the plaintiff is responsible for sacrificing his or her claim.[37] Thus, the first two justifications, repose and loss of defense, are

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shall come in Trial . . . to the great Danger of Mens Consciences that have or shall be impanelled in any Jury for the Trial of the same.

(quoted in Burnett v. New York Cent. R.R., 380 U.S. 424, 428 n.4 (1965) (Goldberg, J.)).

29. *See, e.g.*, Public Sch. v. Walker, 76 U.S. (9 Wall.) 282, 288 (1869). The Court suggested that plaintiffs who voluntarily sleep on their rights cannot later disturb society through the assertion of those rights. *Id.*

30. *Burnett*, 380 U.S. at 428.

31. *Taylor*, 712 F.2d at 1119.

32. *See* Pearson v. Northeast Airlines, Inc., 309 F.2d 553, 559 (2d Cir. 1962) (en banc), *cert. denied*, 372 U.S. 912 (1963). The court noted that the primary purpose of statutes of limitations is to protect the interests of potential defendants, both from a loss of their defense and from fear of litigation (repose). *Id.* This is the substantive right inherent within statutes of limitations. *Id.* As a general proposition, the Court intended to protect against surprise to the defendant through the revival of past claims. *Burnett*, 380 U.S. at 428.

33. *Id.* at 428 (citing *Railroad Tel.*, 321 U.S. at 348-49).

34. *Burnett*, 380 U.S. at 428; *Railroad Tel.*, 321 U.S. at 348-49.

35. *Burnett*, 380 U.S. at 428; *Railroad Tel.*, 321 U.S. at 348-49.

36. *Burnett*, 380 U.S. at 428. This language was echoed in United States v. Kubrick, in which the Court held that concerns for repose and loss of evidence justified outweighing the plaintiff's rights with concerns for the defendant, provided adequate time had passed for the plaintiff to prosecute a claim. *Kubrick*, 444 U.S. at 117.

37. *See, e.g.*, *Walker*, 76 U.S. (9 Wall.) at 288. The Court noted that legislators generally declare that the plaintiff, "having voluntarily slept so long upon his rights," cannot then assert those same ignored rights to recover for a wrong committed by the defendant. *Id.*

based upon the third justification, which is the equity inherent in denying recovery to a plaintiff because of that plaintiff's delay.

B. Tolling Doctrines

Because statutes of limitations weigh the competing claims of plaintiffs and defendants, they provide a means for balancing the rights and equities between the two parties. Once it is acknowledged that defendants have rights granted by a statute of limitations, the statute is not viewed as purely punitive or harsh, which aids in justifying its enforcement. The Supreme Court noted that statutory periods "are established to cut off rights, justifiable or not, that might otherwise be asserted, and they must be strictly adhered to by the judiciary."[38] The Seventh Circuit echoed this language when it held that "[s]tatutes of limitations are not arbitrary obstacles to the vindication of just claims, and therefore they should not be given a grudging application."[39]

Although statutes of limitations balance the rights of the plaintiff and defendant, as well as protect societal interests, the claims can only be balanced when they are on equal ground. In some instances, plaintiffs do not become aware that they have a right to recovery until the statutory period has already expired. In those cases, courts toll the statute of limitations for reasons of equity.[40] Equitable concerns arise, for example, when the plaintiff is unable to assert a right because of war or the defendant's absence from the country.[41] The equitable tolling doctrines are grudgingly applied.[42]

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38. Kavanagh v. Noble, 332 U.S. 535, 539 (1947). In *Kavanagh*, the Court considered the claim of a taxpayer against the Internal Revenue Service for recovery of the taxpayer's overpayment. The taxpayer paid a deficiency asserted by the Service based upon a Treasury regulation. When the particular regulation was later declared invalid, the taxpayer attempted to recover his deficiency payment. Although acknowledging the virtue of his claim, the Court denied the recovery, because the statutory period had already run against the taxpayer's claim. *Id.* at 538-39. The Court also noted that when Congress creates a remedy, such as recovery against the Service (or perhaps a civil infringement suit under the Copyright Act), a congressionally established period for recovery, after which recovery is denied, must be given great deference. *Id.* at 539. The Court stated that the only equities to be realized in such a situation were those created by Congress rather than the courts. *Id.*

39. Cada v. Baxter Healthcare Corp., 920 F.2d 446, 452-53 (7th Cir. 1990) (Posner, J.), *cert. denied*, 501 U.S. 1261 (1991). The court based its reasoning in this age discrimination case upon the protection of "social interests in certainty, accuracy, and repose." *Id.* at 453. Importantly, this is the same court (and same judge authoring the opinion) that extended the statute of limitations in an action for copyright infringement. *See Taylor*, 712 F.2d at 1118-19.

40. *See Burnett*, 380 U.S. at 428.

41. *Id.* These are examples of equitable tolling, which depend upon neither party being responsible for the plaintiff's inability to bring a cause of action due to the limitations period's expiration. In contrast, equitable estoppel doctrines apply when the defendant is responsible for the plaintiff's inability to assert a right to recovery, possibly because the defendant fraudulently concealed the plaintiff's cause of action. Prather v. Neva Paperbacks, Inc., 446 F.2d 338, 339 (5th Cir. 1971).

42. *Cada*, 920 F.2d at 453. Judge Posner argued that "promiscuous application of tolling doctrines" would "trivialize the statute of limitations." *Id.* Since both parties are inno-

IV. COURT CONSTRUCTION OF THE STATUTE OF LIMITATIONS ON CIVIL COPYRIGHT INFRINGEMENT

A. In General

Consistent with Congress's intent, courts began the interpretation of the statute of limitations for civil copyright infringement recognizing the statute's goal of national uniformity.[43] The courts have retained equitable considerations, particularly one specifically rejected by Congress, fraudulent concealment.[44] Courts have, however, rejected tolling doctrines which exist only in local law.[45]

The courts also continue to view civil copyright infringement as a continuing tort, which requires only that the last infringing act be within the statutory period.[46] The limitations period does not begin to run from the first infringing act.[47] If the first infringing act occurred more than three years before the suit was filed, the claim is not barred unless no infringing act occurred within the statutory period.[48]

Despite being allowed to recover for acts of infringement even though the first act is outside the statutory period, a plaintiff generally may only recover for damages and infringements that occur within the statutory period.[49] The same is true for defendants asserting counterclaims for copyright infringement; the first act of infringement may be outside of the three-year period, but the plaintiff only recovers for acts that occur within the three years prior to the filing of the lawsuit.[50] Courts generally allow recovery for acts of infringement beginning outside of the statutory pe-

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cent, the negligence of the party seeking equitable tolling can "tip the balance" against that party. *Id.*

43. *Prather*, 446 F.2d at 339. In this case, the court referred to the drafting history and congressional reports that accompanied the statute, and noted that its purpose was to end the problems of diverse application and forum shopping. *Id.*

44. *Id.* at 340. The court held that because the goal was uniformity, the only applicable tolling doctrines were those recognized in all federal forums. *Id.* Fraudulent concealment was one such doctrine, and it has two elements: (1) the successful concealment of a cause of action by a defendant, and (2) fraudulent means to achieve the concealment. *Id.* at 341. Despite Congress specifically rejecting fraudulent concealment as an equitable consideration in tolling the statute of limitations, the court applied it because of its universal recognition. *Id.*; Senate Report, *supra* note 3, at 1962.

45. *Id.* at 340-41. The court rejected application of Florida's "Blameless Ignorance" rule, since the rule was a peculiarly local doctrine. *Id.* at 340.

46. *See* discussion *supra* note 21.

47. *See Baxter*, 201 F. Supp. at 101.

48. Prather v. Camerarts Publishing Co., 176 U.S.P.Q. 68 (N.D. Ill. 1972).

49. *Id.*

50. *See* Eisenman Chem. Co. v. NL Indus., 595 F. Supp. 141, 146 (D.C. Nev. 1984). In *Eisenman*, the defendant brought a counterclaim regarding infringements which began in January 1979, outside the three-year period, but ended in June 1980, within the three-year period. In holding the counterclaim was not time-barred, the *Eisenman* court relied on *Taylor*. The *Eisenman* decision, however, misinterpreted *Taylor* when it stated "[b]ecause legal proceedings must be commenced within three years of the last unlawful act, the litigation is not really concerned with claims relating to the distant past." *Id.* The *Taylor* court would be concerned with claims relating to the distant past.

riod, but not for those acts that occurred entirely outside of the statutory period.

Limiting damages to recovery only for infringements occurring within the statutory period is consistent with the language of the statute, as well as the stated drafters' intent. The original statute limited recovery to three years.[51] Thus, recovery could only be had, according to judicial interpretation, for acts occurring within the three years preceding the filing of a lawsuit.[52] Although the interpretation of copyright infringement as a continuing tort was allowed, recovery could not be had for the first infringing acts.

B. Conflicting Interpretation

In 1983, the Seventh Circuit took a view regarding the application of the statute of limitations contrary to that of the other circuits. In *Taylor v. Meirick* the court held that recovery should be allowed for all acts, including those outside the statutory limitations period, provided an act of infringement occurred within the statutory period.[53] The court held that allowing recovery for all infringing acts was consistent with the goals of the statute of limitations.[54] The court also noted that alternative justifications for its final decision existed, such as the occurrence of fraudulent concealment by the defendant, which would have tolled the running of the statutory limitations period.[55]

The approach advocated by the Seventh Circuit has been rejected by courts within the Second Circuit. Some courts, when asked to adopt the approach in *Taylor*, as opposed to the Second Circuit standard established in *Mount v. Book-of-the-Month Club*,[56] have rejected the *Taylor* approach as advocated by Judge Posner and the Seventh Circuit.[57] These courts have held that the Seventh Circuit approach serves neither the interests espoused within the statute of limitations, nor the purposes advo-

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51. 17 U.S.C. § 507(b) (1988) (formerly 17 U.S.C. § 115(b) (1970)).

52. *See* Mount v. Book-of-the-Month Club, Inc., 555 F.2d 1108, 1111 (2d Cir. 1977). In *Mount* the court noted that most of the manufacture, promotion, and sales of the infringed work occurred more than three years before the plaintiff filed a complaint. Only 116 previously unsold copies were sold during the three-year period before the plaintiff filed a complaint. As a consequence, the plaintiff was only allowed recovery for infringements which occurred within the three years before the lawsuit was filed, which entitled plaintiff to a recovery of $551. *Id.*

53. 712 F.2d 1112, 1119 (7th Cir. 1983).

54. *Id.*; *see* discussion *infra* part V.A.

55. *Taylor*, 712 F.2d at 1119.

56. 555 F.2d at 1111.

57. *See, e.g.*, Hoste v. Radio Corp. of Am., 654 F.2d 11, 11 (6th Cir. 1981); Gaste v. Kaiserman, 669 F. Supp. 583, 584 (S.D.N.Y. 1987). In *Gaste*, plaintiffs alleged that the song "Feelings" infringed on their copyright in the song "Pour Toi." The court granted partial summary judgment on behalf of the defendants, holding that the plaintiffs could only recover for infringements occurring after July 21, 1983, which was the date three years before the lawsuit was filed. *Gaste*, 669 F. Supp. at 583-84. The Sixth Circuit, in *Hoste*, agreed that any particular infringements which accrued three years before suit was filed were time-barred, thus preventing recovery by the plaintiff. *Hoste*, 654 F.2d at 11.

cated by Congress in enacting the statute of limitations for the Copyright Act.[58]

1. *Seventh Circuit Approach*

The plaintiff in *Taylor* copyrighted maps of Illinois lakes for use by fishermen.[59] Defendant copied the maps without authorization in 1976 and 1977. The plaintiff filed suit in 1980, after the three-year statutory period apparently expired on the 1976 infringements. The defendant, however, took no action to end the sale of his maps by retailers. The court rejected his defense of limitations, holding him responsible for the retailers' later infringements.[60] The court also noted that unsubstantiated evidence offered by the plaintiff suggested that the defendant continued to infringe plaintiff's copyright after 1977. Finally, the court found that the plaintiff was unaware of the infringement until 1979, which would have tolled the running of the statute until 1979.[61]

After stating that the defendant's fraudulent concealment tolled the statute of limitations and implicated defendant in the sale of maps that took place after 1977, the court addressed the question of whether the plaintiff could complain of sales which took place three years before he filed suit. After supporting the treatment of copyright infringement as a continuing tort,[62] the court stated that allowing recovery for acts of infringement occurring before 1977 was consistent with the purposes of the statute of limitations.[63] The court argued that the first act of copying was the first step in the continuing wrong, and thus recovery should be allowed for that first infringement.[64] Alternatively, the court stated the

58. *Gaste*, 669 F. Supp. at 584; *see also* Kregos v. AP, Sports Features Syndicate, 795 F. Supp. 1325, 1330 (S.D.N.Y. 1992). In *Kregos*, the court rejected the Seventh Circuit's approach to limitations, holding "[w]e follow the course set by the Second Circuit which gives full effect to 17 U.S.C. § 507(b)'s limitations allowing recovery only for those damages which accrued within the three-year period immediately preceding the commencement of suit." *Id.*

59. *Taylor*, 712 F.2d at 1117.

60. *Id.*

61. *Id.* The court indicated that by putting his own copyright on the maps taken from Taylor, Meirick fraudulently concealed the infringement from both the plaintiff and potential purchasers. *Id.* at 1118.

62. *Id.* The court entered this opinion in reliance on *Baxter*, 201 F. Supp. at 101, and Cain v. Universal Pictures Co., 47 F. Supp. 1013, 1018 (S.D. Cal. 1942). In *Cain*, the defendant incorporated part of plaintiff's work into a motion picture script, which was later made into a movie. *Id.* The court found this infringement to be a continuing action, since the goal of writing the script was the creation of a movie. *Id.* The defendant, therefore, was responsible not only for the original infringement, but was also responsible for the movie's later release, which defeated his defense of limitations. *Id.*

63. *Taylor*, 712 F.2d at 1119. The court suggested that two purposes existed for the statute of limitations: (1) an evidentiary purpose, or the protection against the loss of evidence, and (2) repose, which is an assurance over time that a person will not be sued for past deeds. *Id.* The court dismissed the evidentiary function, claiming "[s]ome of the evidence, at least, will be fresh." *Id.* at 1119. The defendant's uncertainty regarding suit, which is protected under repose, would be "confined to the statutory period. His uncertainty about the extent of his liability may be greater, but that is often true in litigation." *Id.*; *see also* discussion *infra* part V.A.

64. *Taylor*, 712 F.2d at 1119.

tolling doctrines would allow recovery.[65] The court allowed Taylor to recover for all acts of infringement after 1976, the date of the first infringement, rather than for the three years preceding the filing of suit in 1980, as prescribed by the statute.[66]

2. *Rejection of Taylor*

When faced with similar facts, a court within the Second Circuit rejected the approach invented by Judge Posner. In *Gaste v. Kaiserman* the district court held that the statute must be strictly construed.[67] The court, in arguing for policies which supported the statute of limitations, adopted policies of repose and evidentiary purposes consistent with prior Second Circuit rulings.[68] The court ruled that a plaintiff could only "recover[ ] . . . those monetary damages within the three-year period . . . immediately preceding the . . . lawsuit"[69] and not "any monetary damages which predate the commencement of the copyright action by more than three years."[70]

3. *Conflict*

Since the original purposes behind the amendment of the Copyright Act which created the statute of limitations were uniformity among the states and minimized forum shopping, court decisions should advance and reinforce these goals. However, the split between the circuits upsets these goals. The circuits' jurisprudence is not uniform; moreover, the source of the conflict is inconsistent interpretation of the only statute that applies. The original variations were based on diverse theories being applied to diverse statutes, while the current conflict is caused by divergent theories applied to the same statute. As a result, plaintiffs may engage in forum shopping and attempt to bring suit in the Seventh Circuit, which allows plaintiffs to recover for more years of infringement.

One court has taken this difference between the circuits into account in the consideration of requests for injunction, as provided for in the Copyright Act.[71] In *MAI Basic Four, Inc. v. Basis, Inc.*[72] the Tenth Circuit

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65. *Id.*

66. *Id.* The alternative, recommended reading would have allowed recovery only on infringements beginning in 1977.

67. 669 F. Supp. 583, 584 (S.D.N.Y. 1987). The court stated that to follow the Seventh Circuit's approach would "render the words of the Copyright Act meaningless and eradicate the policy objectives of . . . limitations period[s]." *Id.*

68. *Id.* at 584. The court relied on Mount v. Book-of-the-Month Club, 555 F.2d at 1111, in adopting the purposes of a statute of limitations. *Id.* See *supra* note 52 for discussion of *Mount.*

69. *Gaste*, 669 F. Supp. at 584.

70. *Id.*

71. 17 U.S.C. § 502 (1994).

72. 962 F.2d 978 (10th Cir. 1992). In *MAI*, the plaintiffs filed suit against former employees of MAI for alleged copyright infringements. The defendants in turn requested an injunction, which was granted, preventing MAI from threatening defendants' distributors and resellers with litigation if they continued to market the defendants' software. On appeal, the court reversed the trial court's injunction. *Id.* at 980.

pointed to the split between the Second and Sixth Circuits on one side, and the Seventh Circuit on the other, as grounds for reversing the grant of an injunction to the plaintiff in an infringement action.[73] Thus, the existence of the circuit split not only allows forum shopping, but has alarmed one court with the possibility of the waiver of interstate rights.[74] The concerns have thus flowed from the realm of legal remedies to concerns regarding actions in equity.

V. SOLUTIONS & PROPOSALS

A. GRANT OF CERTIORARI BY THE SUPREME COURT

The simplest solution is for the Supreme Court to review the decisions of the lower courts. Certainly, a ruling on whether plaintiffs are entitled to recover for actions outside the statutory limitations period would end the conflict between the circuits. Because several circuits have yet to take a stand on the issue, however, the Court may be hesitant to grant certiorari.[75] Nonetheless, the *Taylor* decision is ten years old, and not all circuits have frequent copyright lawsuits. The Second and Seventh Circuits (in which New York and Chicago are located) have large copyright dockets, and both circuits have ruled on the issue.[76] However, these courts are also split in their interpretations of the statute.[77]

If the Court were to grant certiorari, it would need to favor one theory or the other because little middle ground exists between the two common interpretations of the statute. The preferable interpretation is that of the Second Circuit, which strictly interprets the statute. This is due to the

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73. *Id.* at 987 n.9. The court stated that "the substantial risk of claims of MAI being barred may not be disregarded. This is an added factor pointing to the inadvisability of the broad injunction granted." *Id.*

74. *Id.* at 986. The court seemed to place blame for the status quo interpretive difficulties on the fact that the Supreme Court has not granted certiorari on the matter. Also, several of the federal circuits have yet to rule on the issue. As a consequence, the court was uncomfortable with the potential waiver of MAI's claims. *Id.* at 987 n.9.

75. While this theory explaining the Supreme Court's hesitancy remains speculative, an increasing number of courts are aligning themselves against the Seventh Circuit. The Fifth Circuit rejected *Taylor*'s continuing tort theory in Makedwde Publishing Co. v. Johnson, 37 F.3d 180, 182-83 (5th Cir. 1994). In *Makedwde*, the court opined that the *Taylor* court applied an overly broad definition of infringement, which the Fifth Circuit refused to follow. *Id.* at 182. Similarly, in Roley v. New World Pictures, Ltd., 19 F.3d 479, 481 (9th Cir. 1994), the Ninth Circuit specifically rejected *Taylor*'s interpretation of § 507(b).

76. The leading Second Circuit case, Mount v. Book-of-the-Month Club, 555 F.2d 1108 (2d Cir. 1977) was decided approximately six years before the leading Seventh Circuit case, Taylor v. Meirick, 712 F.2d 1112 (7th Cir. 1983).

77. The *Taylor* court distinguished *Mount* in its decision. *Taylor*, 712 F.2d at 1117. Judge Posner wrote that "[a] tortfeasor has a duty to assist his victim." *Id.* Meirick, the defendant in *Taylor*, had taken no steps to assist Taylor in preventing future infringements by Meirick's retailers after Meirick infringed on Taylor's copyright. The Seventh Circuit treated this failure as a new tort which extended the statute of limitations. *Id.* Posner contended that if Meirick had taken reasonable actions to recover the infringing maps before they were sold to consumers, the suit would be time-barred. *Id.* This analysis, however, ignores the evidentiary and repose functions of the statute of limitations. Additionally, in *Mount*, defendants did continue to sell infringing materials within the statutory period, which is more than Meirick did in the Seventh Circuit case, and the court held that the action was time-barred. *Mount*, 555 F.2d at 1111.

premise advanced by Judge Posner (the author of the *Taylor* opinion), that statutes of limitations should be strictly enforced.[78]

One justification for statutes of limitations generally discussed by Posner is the concept of repose. Posner argued that repose would exist as to whether the defendant would be sued or not, since an action must occur within the statutory period.[79] Thus, the only uncertainty would regard the extent of the defendant's possible liability.[80] This argument ignores the purpose behind repose. Defendants at some point should no longer fear being sued for past actions. The Seventh Circuit approach does allow liability to increase, but only because recovery is allowed for past actions. As Posner noted in his opinion, "it is more painful to lose what you have come to think of as your own than it is gratifying to get back something you wrote off many years ago and have grown accustomed to doing without."[81] Unfortunately, the opinion in *Taylor* ignores the realistic effects of the holding in light of this observation.

A second concern is the loss of evidence. The Seventh Circuit suggests that the statute of limitations is designed to reduce the error rate in litigation.[82] As a consequence of this interpretation of the evidentiary function of limitations, Posner states that "[s]ome of the evidence, at least, will be fresh."[83] The court believed that enough evidence would likely exist from current infringements to provide evidence of older infringements.[84] This argument ignores, however, two presumptions: first, the presumption, stated by Posner, that limitations should not be hesitatingly

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78. *Cada*, 920 F.2d at 452.

79. *Taylor*, 712 F.2d at 1119.

80. *Id.* Judge Posner suggested that the concern over liability is often present in litigation.

81. *Id.* at 1119. Posner relied on Oliver W. Holmes, *The Path of the Law*, 10 HARV. L. REV. 457, 477 (1897), in justifying the notion of repose. The central theme therein is that defendants, once they have accumulated something and are outside of the statutory period, are more negatively affected by the loss of that property than plaintiffs are benefitted by the return of the property. *Id.* Holmes claims:

> [a] thing which you have enjoyed and used as your own for a long time, whether property or an opinion, takes root in your being and cannot be torn away without your resenting the act and trying to defend yourself, however you came by it. The law can ask no better justification than the deeper instincts of man.

Id. Without delving into the equities of returning lost goods or property to the plaintiff, the significance of this statement seems self-evident. The Seventh Circuit, however, ignores the fact that losing property through increased liability has the same practical effect as completely disallowing defendants to assert the defense of statute of limitations when no action has occurred within the statutory period.

82. *Taylor*, 712 F.2d at 1119.

83. *Id.*

84. *Id.* Importantly, the *Taylor* court dealt with four-year-old infringements, so the court only extended the statutory period by one year. *Id.* One is left to wonder whether the court would follow the same standard of considering some of the evidence fresh if the infringements in question occurred ten or twenty years before suit was filed, as was the case in *Mount. Mount*, 555 F.2d at 1109. Rather than stating the principle of extending the statute of limitations as akin to an equitable tolling doctrine, and thus within the discretion of the court, the Seventh Circuit established the extension of the statute of limitations as a rule, which seemingly allows any plaintiff to reach back outside of the statutory period. *Taylor*, 712 F.2d at 1118-19.

applied; and, second, that limitations operate to protect the defendant.[85] If limitations are not to be hesitatingly applied, then they should be strictly enforced unless a tolling doctrine is present. Also, to protect the defendant, the limitations period, no matter how operationally arbitrary, must be strictly enforced. Thus, the arguments regarding repose most strongly favor a strict construction of the statute of limitations.

Finally, the copyright statute of limitations does retain many common law equitable tolling doctrines. Plaintiffs are not without recourse in instances of fraudulent concealment or war. In *Taylor*, facts supporting fraudulent concealment were present; thus, the same result could have occurred without reaching into the realm of the statute of limitations. Equity, therefore, can be served despite a strict construction of the statute of limitations. The court has gained nothing at the expense of the repose and evidentiary functions of the statute of limitations.

B. View *Taylor* as an Equitable Tolling Case

1. Fraudulent Concealment

As noted, the *Taylor* court highlighted facts that supported a finding that the defendant fraudulently concealed Taylor's cause of action from him.[86] Meirick, the defendant, placed his copyright on Taylor's map. When Taylor brought the infringement to Meirick's attention, Meirick agreed to stop publication of the maps but did not do so. According to the court, these actions met the two elements for fraudulent concealment, in that the actions successfully concealed the cause of action and the defendant had intent to conceal the cause of action.[87]

The Fifth Circuit noted in *Prather v. Neva Paperbacks* that the doctrine of fraudulent concealment is recognized throughout the federal circuits.[88] Despite the Senate's rejection of fraudulent concealment as unnecessary given modern realities, those same realities have justified the application of fraudulent concealment. The facts in both *Neva* and *Taylor* suggested the need for fraudulent concealment. The courts have shown an inclination to apply the doctrine, and universal application would be consistent with the congressional goal of uniformity. Additionally, testimony to the Senate recommended the adoption of fraudulent concealment as an equitable principle.[89] Most importantly, the application of fraudulent con-

85. Pearson v. Northeast Airlines, Inc., 309 F.2d at 559.

86. *Taylor*, 712 F.2d at 1119. The two elements of fraudulent concealment are successful concealment and intent to conceal the cause of action. Prather v. Neva Paperbacks, 446 F.2d at 340.

87. *Taylor*, 712 F.2d at 1119.

88. *Prather*, 446 F.2d at 340-41. The court noted that fraudulent concealment is a well-settled principle of both common law and federal law. *Id.*

89. The copyright committee of the Bar Association of New York City recommended the codification of the fraudulent concealment doctrine within the newly adopted statute of limitations. *See* Senate Report, *supra* note 3, at 1965. The committee on copyright law revision of the American Bar Association, however, considered it "unnecessary or unwise" to include the fraudulent concealment provision. *Id.*

cealment would circumvent the need for inconsistent application of the statute of limitations.

2. *Discovery Rule*

The *Taylor* court also acknowledged the possible application of the discovery rule.[90] The discovery rule tolls the running of the limitations period until the plaintiff is aware or a reasonable person should have become aware of the cause of action.[91] The *Taylor* court noted that the plaintiff was unaware of the existence of his cause of action, and could not have been expected to be aware of the action.[92] Application of the discovery rule also avoids misconstruction of the statute of limitations.

Either of the equitable tolling views are consistent with a goal Judge Posner frequently advances: the role of economics in jurisprudence.[93] One author contends that the remedy provided by Judge Posner, which allowed copyright owners to recover the infringer's profits from the infringement, even though these profits exceeded the losses actually suffered through the infringement, was intended to economically discourage infringements.[94] Additionally, the excess encourages infringers to negotiate with copyright owners rather than steal copyrights or work within the "bypass market."[95] This approach is an example of employing the law of restitution.[96] By extending the period of time for which a copyright owner can recover, the Seventh Circuit has created a strong disincentive to infringe on copyrights.

If the Seventh Circuit's primary goal is the creation of restitutionary disincentives, then equitable tolling principles such as the discovery rule and the doctrine of fraudulent concealment increase the recovery allowed against an infringer, which in turn strengthens the disincentive to infringe on copyrights. This justification focuses on the remedy allowed by the court. To extend the time for recovery based upon the Seventh Circuit's reading of Section 507(b) affects the substantive right allowed, in that the extension of the statute of limitations affects the time for which recovery can be had without equitable considerations. Alternatively, equitable tolling and fraudulent concealment affect the remedy available to a copyright owner, without changing the structure of the underlying substantive law. Judge Posner's economic theory should affect only the remedy allowed to a copyright owner, as indicated by Congress.[97] Also, the option

90. *Taylor*, 712 F.2d at 1119.

91. *Id.*

92. *Id.*

93. Charles Silver, *A Restitutionary Theory of Attorney's Fees in Class Actions*, 76 CORNELL L. REV. 656, 707 n.241 (1991).

94. *Id.*; *see also Taylor*, 712 F.2d at 1119-22.

95. *Taylor*, 712 F.2d at 1120.

96. *Id.*

97. Senate Report, *supra* note 3, at 1963; *see also supra* note 22.

exercised by the Seventh Circuit violates the rule of deference to Congress established in *Kavanagh*.[98]

C. ADVISABILITY OF PROPOSALS

The stated goals of the statute of limitations were to provide a uniform limitations period and to minimize forum shopping; thus, each proposal must be judged with respect to these two criteria. Adoption by the Supreme Court of the Second Circuit's interpretation of the statute of limitations would provide uniformity, in that all circuits would be bound to allow recovery only for those infringements which occur within three years before a lawsuit is filed. Additionally, litigants would have one less reason to search for a favorable forum, since all forums would apply the law similarly. Importantly, this solution requires Supreme Court review, since the federal circuits are already split.

The second option is to view *Taylor* as an equitable doctrines case. The Seventh Circuit acknowledged the presence of both fraudulent concealment and the possible tolling of the statute of limitations under the discovery rule. If *Taylor* were viewed as an equitable tolling case, with the holding regarding the construction of the statute of limitations as dicta, then the Second Circuit interpretation could be uniformly adopted. This view would also lead to decreased forum shopping. Unfortunately, courts frequently cite the *Taylor* decision as one of two methods for calculating the time period for the statute of limitations.[99] The Supreme Court should grant certiorari to correct this flaw.

A third option is for the Supreme Court to adopt the Seventh Circuit opinion articulated in *Taylor*. When compared to the opinions in *Mount v. Book-of-the-Month Club*[100] and *Gaste*,[101] the Seventh Circuit could provide uniformity and minimize forum shopping. In addition, the Second Circuit application maintains the integrity of the statutes of limitations.[102] The Second Circuit approach provides repose and protects against the loss of evidence. The Seventh Circuit approach does not adequately meet these functions. Thus, the Second Circuit jurisprudence is preferable to that of the Seventh Circuit.

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98. *Kavanagh*, 332 U.S. at 539. While creating an economic disincentive for copyright infringers may be warranted, the Seventh Circuit had two options. One means of creating a disincentive is through the application of the discovery rule and fraudulent concealment. Rather than apply these equitable doctrines, the Seventh Circuit broke the rule of deference to Congress stated in *Kavanagh*, and the court avoided the Congressional intent behind § 507(b).

99. *See, e.g.*, Kahn v. Kohlberg, Kravis, Roberts & Co., 970 F.2d 1030, 1040 (2d Cir. 1992); *MAI*, 962 F.2d at 987.

100. 555 F.2d 1108 (2d Cir. 1977).

101. 669 F. Supp. 583 (S.D.N.Y. 1987).

102. *See supra* parts III-IV.A.

VI. CONCLUSION

Congress amended the Copyright Act in 1957 to provide for the uniformity of application among federal circuits that was impossible under the varied state theories. The statute is still in place today. The federal circuits, however, have interpreted the running of the three-year period dissimilarly. One circuit allows recovery only for actions within the three years preceding the filing of the lawsuit; the other allows recovery for all actions, provided an infringement occurred within the three years preceding the lawsuit. As a consequence, the goals of uniformity have not been met.

The first approach is consistent with the goals of statutes of limitations: to protect against the loss of evidence and provide repose for defendants and society. The latter option does not. While both approaches, if uniformly adopted, could solve the current problems caused by the split of opinion, only the former can do so in a manner consistent with the goals of statutes of limitations in general. Therefore, the Supreme Court should adopt the Second Circuit view as the proper interpretation of the statute of limitations for civil copyright infringement.