U.S. SUPREME COURT DECIDES TWO COPYRIGHT CASES AND IMPACTS REGISTRATION STRATEGY FOR COPYRIGHT OWNERS

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U.S. IP Litigation Alert

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March 4, 2019, marked the first time in over 100 years that the Supreme Court of the United States issued two copyright decisions in the same day [1] – both unanimous and both strict interpretations of statutory language. In the first of these two decisions, the Supreme Court unanimously held in *Fourth Estate Public Benefit Corporation v. Wall-Street.com* that copyright owners must obtain a registration from the U.S. Copyright Office prior to filing an infringement action. [2] The Court, in an opinion authored by Justice Ruth Bader Ginsburg, resolved a long-standing circuit split on whether the "application approach" (merely filing a copyright application) or the "registration approach" (obtaining a copyright registration) is sufficient to file a copyright infringement suit under § 411(a) of the Copyright Act of 1976. In the second decision, the Court in *Rimini Street, Inc. v. Oracle USA, Inc.* determined that "full costs" under § 505 of the Copyright Act did not authorize awarding litigation expenses beyond those specified in the general costs statute.

Given the Supreme Court's *Fourth Estate* decision, there should be a flood of copyright applications at the U.S. Copyright Office given the low cost to file and average seven-month wait time to receive registration. [3] Upon registration of the copyright, a copyright owner can recover for infringement that occurred both before and after registration. Expedited registration is available; [4] however, even expedited processing may not provide a registration quickly enough for preliminary injunctive relief for works that do not qualify for Section 408(f)'s exception for works such as music and movies that are vulnerable to pre-distribution infringement.

Due to the unpredictability of knowing when someone will infringe a copyrighted work and the need to halt infringement in a timely manner, it is typically in the copyright owner's best interest to routinely file copyright applications for any work of economic value with the potential to be infringed. Not only would routine registration set the stage for taking immediate action against infringers and seeking a preliminary injunction before extensive distribution and damage can be done, it also is a prerequisite for statutory damages and attorney fees, which are permitted only for registrations within three months of first publication of the work or before infringement. Otherwise, only provable compensatory damages within the limitations period are recoverable. [5]

As noted above, in the second of the two decisions, the Court in *Rimini Street, Inc. v. Oracle USA, Inc.* determined that "full costs" under § 505 of the Copyright Act did not authorize the appellate court to award litigation expenses beyond those specified by Congress in the general costs statute.

PRIOR CIRCUIT SPLIT AND *FOURTH ESTATE* CASE BACKGROUND

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Section 411(a) of the Copyright Act of 1976 provides that "no civil action for infringement of the copyright in any United States work shall be instituted until…registration of the copyright claim has been made in accordance with this title." The Ninth and Fifth Circuits followed the "application approach," finding that a filed copyright application was sufficient to file a copyright infringement suit. The Tenth and Eleventh Circuits followed the "registration approach," finding that registration of a work at the U.S. Copyright Office is required before commencing an infringement suit. [6] The "application approach" was more favorable to copyright plaintiffs because the U.S. Copyright Office can take several months, and at times, more than a year, to issue a registration in the normal course (non-expedited).

Fourth Estate Public Benefit Corp., a journalism collective, filed a copyright infringement claim against Wall-Street.com for reposting its articles without permission. Fourth Estate's articles were not registered at the U.S. Copyright Office. The district court found that registration was required prior to commencing suit, and dismissed the complaint. Fourth Estate appealed, and the Eleventh Circuit affirmed. Fourth Estate then brought this case to the Supreme Court arguing in favor of the "application approach." The Court granted *certiorari*.

SUPREME COURT *FOURTH ESTATE* RULING

In interpreting § 411(a), the Court focused on the phrase "registration…has been made." The Court opined that this statutory requirement "permits only one sensible reading: that the Copyright Office's act of granting registration and not the copyright claimant's request for registration determines whether registration…has been made." [7]

The Court also found worth mentioning that Congress previously has not eliminated § 411(a)'s registration requirement despite additional revisions to § 411(a), including removal of foreign works from the section in order to comply with international treaties, as well as § 408(f)'s preregistration option for certain works. [8] Section 408(f) provides limited exceptions where copyright owners may file an infringement suit before receiving registration, including circumstances involving a "live broadcast" or works vulnerable to pre-distribution infringement, such as movies or musical compositions. [9] The Court determined that "§ 408(f)'s preregistration option…would have little utility if a completed application constituted registration," further supporting Congress's intent to require registration prior to commencing an infringement suit. [10]

IN *RIMINI STEET V. ORACLE*, THE COURT DEFINED RECOVERABLE COSTS IN COPYRIGHT LITIGATION

The Court's strict interpretation of language approach in *Fourth Estate*, interpreting the word "registration" to mean exactly that, registration and not application, is also seen in the Court's *Rimini Street, Inc. v. Oracle USA, Inc.* decision, issued unanimously on the same day as *Fourth Estate*. [11] In *Rimini Street*, the Court determined that "full costs" under § 505 of the Copyright Act did not authorize the appellate court to award litigation costs beyond those specified by Congress in the general costs statutes applicable to all federal court actions. [12] Rather, "'full costs' are all the 'costs' otherwise available under the law." [13] Those costs consist only of the six categories specified in 28 U.S.C. §§ 1821 and 1920, essentially (1) clerk and marshal fees, (2) transcript fees, (3) printing and witness fees and costs, (4) exemplification and copying fees, (5) docket fees, and (6) compensation of court-appointed experts and interpreters. At trial, a jury agreed with Oracle that Rimini Street, while providing software support services to Oracle customers, copied Oracle's software without authorization. The Ninth Circuit

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allowed Oracle to recover $12.8 million in litigation expenses, as well as $3.4 million in costs and $28.5 million in attorney's fees, in addition to the jury award of $35.6 million for copyright infringement and $14.4 million for violation of state computer access statutes. Although Rimini Street lost its copyright infringement case to Oracle, its successful appeal of the Ninth Circuit's allowance of litigation expenses saved it $12.8 million.

CONCLUSION AND RECOMMENDATIONS

Content owners in the publishing, music, television, film, photography, and videogame industries routinely file copyright registration to protect the content they create and distribute. Routine registration in the software technology industry sector and other areas is less prevalent. For software, as for other types of content, the requirements are not onerous and also allow for the protection of confidential source codes. [14] Oracle's recent Supreme Court defeat should not distract us from noticing that even in that defeat Oracle did receive an award of $28.5 million in attorneys' fees and $3.4 million in costs (together, nearly equaling the copyright infringement damages award) noted above in the *Rimini Street* decision. The award of that $31.9 million was possible only because Oracle had timely registered its software.

Others who may benefit from routine registration include any entity that creates original materials such as internal training manuals and product user manuals which may be copied and misused by ex-employees, distributors, or customers. Any of these works can be registered with trade secret material protected from public filing and disclosure. [15] Also, many fashion companies regularly create seasonal designs used on handbags or clothing. These designs include floral prints, animal designs, and other pictorial features and arrangements of text seen on handbags and clothing. Many companies also own trademarks or packaging designs that also may be protectable through copyright. Given the frequency with which certain notorious infringers in the industry create replicas of these designs, companies should be armed and ready with copyright registrations for these designs.

An initial cease and desist letter to an infringer containing proof of copyright registration demonstrates that the claim may be filed in court, providing leverage to the copyright owner. Companies and other creators should consider routine copyright application filing to protect their valuable assets without loss of time and damages waiting for registration to occur after the infringement is discovered.

NOTES

[1] The last time was on June 6, 1908: *Bobbs-Merrill Co. v. Strauss*, 210 U.S. 339 (1908), Scribner v. Strauss, 210 U.S. 352 (1908), and *Globe Newspaper v. Walker*, 210 U.S. 356 (1908).

[2] *Fourth Estate Public Benefit Corp. v. Wall-Street.com, LLC*, 586 U. S. ____ (slip op., March 4, 2019). A special procedure is available if a registration application is rejected. See 17 U.S.C. § 411(a).

[3] The cost to file a copyright application is relatively low (approximately $55 for a standard electronic filing fee) and the average time to registration is a relatively long wait for a copyright registration at the U.S. Copyright Office (on average six to nine months if not expedited, and currently at seven months).

[4] U. S. Copyright Office, *Special Handling: Circular No. 10*, pp. 1–2 (2017), https://www.copyright.gov/circs/circ10.pdf (expedited registration available for a higher fee of $800).

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[5] 17 U.S.C. § 412 (statutory damages allowed up to $150,000 per infringed work).

[6] *Cosmetic Ideas, Inc. v. IAC/Interactive*, 606 F.3d 612 (9th Cir. 2010); *Positive Black Talk v. Cash Money Records*, 394 F.3d 357 (5th Cir. 2004); *La Resolana Architects v. Clay Realtors*, 416 F.3d 1195 (10th Cir. 2005); *M.G.B. Homes, Inc. v. Ameron Homes*, 903 F.2d 1486 (11th Cir. 1990); *Fourth Estate Public Benefit Corp. v. Wall-Street.com*, 856 F.3d 1338 (11th Cir. 2017).

[7] *Fourth Estate*, slip op. at 8 (internal quotes omitted).

[8] *Id.*, slip op. at 9.

[9] *Id.*, slip op. at 3.

[10] *Id.*, slip op. at 6-7.

[11] *Rimini Street, Inc. v. Oracle USA, Inc.* 586 U. S. ____ (slip op., March 4, 2019).

[12] *Id.*, slip op. at 1.

[13] *Id.*, slip op. at 2.

[14] *See* https://www.copyright.gov/circs/circ61.pdf. With respect to the deposit requirement, the Copyright Office explains –

"If the source code does contain trade secrets, you must indicate in writing to the Office that the code contains trade secret material. Using one of the following options, submit a portion of the code for the specific version you want to register:

- One copy of the first ten pages and last ten pages, blocking out none of the code;
- One copy of the first twenty-five pages and last twenty-five pages, blocking out the portions of the code containing trade secret material, provided the blocked out portions are less than fifty percent of the deposit;
- One copy of the first twenty-five pages and last twenty-five pages of the object code for the program, together with ten or more consecutive pages of source code, blocking out none of the source code (see subheading about object code below);
- If the source code for the entire program is fewer than fifty pages, one copy of the entire code, blocking out the portions of the code containing trade secret material, provided the blocked out portions represent less than fifty percent of the deposit; or
- If the source code does not have a precise beginning, middle, or end, twenty to fifty pages that reasonably represent the first and last portions of the code."

[15] *See* 37 C.F.R. §202.20 (deposit of copies and phonorecords for copyright registration).

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