

CLIENT ALERT

Supreme Court Issues Two Important Decisions Tackling Copyright Registration and Litigation Costs

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In two closely-watched cases, the Supreme Court clarified key aspects of the law of copyright this week. The first resolved the question of when copyright infringement begins—and thus when a copyright owner can sue for infringement. The second restricted the costs a court may award under 17 U.S.C. § 505 to only those specified in the six categories of litigation expenses outlined in 28 U.S.C. §§ 1821, 1920.

In *Fourth Estate Public Benefit Corp. v. Wall-Street.com*, the Supreme Court issued two unanimous holdings: first, that copyright infringement occurs, and a copyright owner can commence an infringement suit, when the Copyright Office registers the copyright; and second, that, upon registration, a copyright owner can recover for infringement that occurred both before and after registration. Before the decision, the Fifth and Ninth Circuits had held that copyright registration is made when the application is filed, while the Tenth and Eleventh Circuits had held that registration is only made when the Copyright Office registers the copyright. The Supreme Court sided with the Tenth and Eleventh Circuits, holding that a copyright registration is made under the Copyright Act only when the Copyright Office registers the copyright.

The case involved Fourth Estate Public Benefit Corporation (“Fourth Estate”), a news organization that licensed its stories to Wall-Street.com, LLC (“Wall-Street”), a news website. The license agreement required Wall-Street to remove any Fourth Estate content from its website before cancelling the agreement. Wall-Street cancelled, but when it continued to display Fourth Estate articles, Fourth Estate sued for copyright infringement. The complaint, however, stated that the Copyright Office had not yet acted on Fourth Estate’s applications to register its copyrights. The district court dismissed the complaint on that basis, and the Eleventh Circuit affirmed. The Register of Copyrights subsequently refused to register the articles that were allegedly infringed.

The Supreme Court affirmed, holding not only that an infringement suit can commence only after the Copyright Office registers the copyright, but also that, upon registration, a copyright owner can recover for infringement that occurs both before and after the registration.

The Court explained that, under the Copyright Act of 1976, copyright protection attaches to “original works of authorship . . . fixed in any tangible medium of expression.” Before pursuing an infringement claim in court, however, a copyright claimant generally must comply with §411(a)’s requirement that “registration of the copyright claim has

been made.” Registration, the Court reasoned, is akin to an administrative exhaustion requirement that the owner must satisfy before suing to enforce ownership rights.

Fourth Estate had argued that that registration was made when the owner submitted the application and fee. But the Court rejected this approach, explaining that application was only “made” when the Copyright Office registers the copyright. The Court further observed that a copyright owner could recover for damages that occurred before the owner registered the copyright, but that registration had to occur before any recovery could be made.

The Court’s straightforward opinion provides clear guidance to lower courts and also to potential copyright owners. To enforce ownership rights, a copyright owner must first register the copyright with the Copyright Office and that registration is only “made” under the Copyright Act when the Office registers the copyright—not when the application is submitted. Copyright owners will therefore have to act quickly in registering their works to protect their rights, and the Court’s decision will also likely lead to an increase in expedited registrations.

In *Rimini Street, Inc., et al v. Oracle USA, Inc. et al*, the Court unanimously held that discretionary costs awarded under 17 U.S.C. § 505 must be limited to the six specified categories of litigation expenses in 28 U.S.C. §§ 1821, 1920. The decision overturned the Ninth Circuit’s affirmation of a District of Nevada ruling awarding Oracle \$12.8 million for litigation expenses, including expert witnesses, e-discovery and jury consulting. Relying on precedent, the Court held that the § 505 language allowing courts to award “full costs” does not expressly include additional categories of costs that may be awarded, and is therefore limited to the categories delineated in 28 U.S.C. §§ 1821, 1920.

The case involved questions of copyright infringement generated by Rimini Street’s provision of software maintenance services, including such services for Oracle’s products. Oracle sued on the theory that Rimini Street unlawfully copied Oracle’s software in order to provide such services. The jury found in favor of Oracle and awarded \$35.6 million in damages for copyright infringement, and \$14.4 million in damages for violations of the state computer access statutes. The District Court also ordered Rimini to pay Oracle \$28.5 million in attorney’s fees and \$4.95 million in costs, later reduced to \$3.4, and \$12.8 million for miscellaneous litigation expenses.

The 9th Circuit’s affirmation hinged on Circuit precedent that read the phrase “full costs” to include categories of expenses not identified in §§ 1821 and 1920. The Court rejected the Ninth Circuit’s reasoning, noting that Congress has expressly included additional or broader categories of costs in other pieces of legislation. The Court found that by not identifying additional categories in § 505, Congress did not intend to expand the scope of costs beyond its meaning under §§ 1821 and 1920.

The Court was unpersuaded by Oracle’s arguments that “full” broadens the scope of costs available, finding that “full” is merely a quantity term. The Court also rejected Oracle’s historical analysis of “full costs,” finding that the approach adopted by the Court was used widely prior to the enactment of the Copyright Act of 1976. Finally, the Court held that reading “full costs” as costs limited to the categories under 28 U.S.C. §§ 1821 and 1920 is not surplusage, but that any redundancies that may arise by the inclusion of this phrase in the statute are not inconsistent with the Court’s reading of other costs statutes.

The Court’s opinion clarifies the standard for costs awards in copyright cases. Copyright owners will therefore be limited in what costs they may recover, and may not seek extraneous litigation expenses as part of a costs award.

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