

## INTELLECTUAL PROPERTY

# ALERT

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## Practical Implications of the Supreme Court's Decision Requiring Final Copyright Office Action Prior to Infringement Lawsuits

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In *Fourth Estate Public Benefit Corp. v. Wall-Street.com*, the U.S. Supreme Court recently clarified the rules for the prerequisites to filing copyright infringement lawsuits, which also raises questions about the practical impact on businesses and other content creators.

### Background

Fourth Estate Public Benefit Corp., an online news organization, sued its former licensee, the news website Wall-Street.com, for copyright infringement when Wall-Street failed to remove Fourth Estate's licensed content from its website. Although Wall-Street had terminated its licensing agreement with Fourth Estate, it continued to display Fourth Estate's content.

Fourth Estate filed an application with the Copyright Office for registration of the news articles in question, and subsequently filed suit against Wall-Street, believing that submission of the application alone was sufficient to satisfy the statutory requirements that enabled them to bring their claim in federal court. The District Court dismissed Fourth Estate's complaint because the Copyright Office had yet to render a decision regarding the application. Fourth Estate appealed the dismissal and the United States Court of Appeals for the Eleventh Circuit affirmed the decision of the District Court. Fourth Estate appealed again and the Supreme Court granted certiorari to hear the issue and ultimately affirmed the lower court decisions.

### History Among the Circuit Courts

U.S. Circuit Courts have long been split on the issue of when registration occurs under Section 411(a) for the purpose of filing an infringement action. Fourth Estate argued for the Application Approach which had been adopted by the Fifth and Ninth Circuits. Courts following this approach have allowed actions to go forward as long as the required deposit, fee, and application had all been submitted to the Copyright Office. Conversely, the Tenth and Eleventh Circuits have required that the Copyright Office actually render a decision on the application for registration (either granting the registration or rejecting the application) before an action was filed.

### Supreme Court Decision

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" either (1) "registration of the copyright claim has been made in accordance with this title," or (2) "the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused." Once the application is accepted by the Register of Copyrights, the effective date of the copyright registration becomes the day that the Copyright Office received the deposit, application, and fee. The Supreme Court had to decide if the "registration" requirement was satisfied merely by the filing of a proper application.

Ultimately, the Supreme Court adopted the interpretation of the Tenth and Eleventh Circuits. In a unanimous decision authored by Justice Ginsburg, the Court held that the statutory requirement for registration occurs only after the Register reviews the application and approves the same. Although an exclusive right to one's work exists immediately upon creation, the Court reasoned that "registration is akin to an administrative exhaustion requirement that the owner must satisfy before suing to enforce ownership rights."

Based on this decision, when copyright disputes arise, content creators will not be able to seek judicial remedies unless their copyright application has received a decision by the Copyright Office. Although the Fourth Estate argued that the requirement to "make registration" referred to the copyright owner's obligation to comply with the statutory requirements for registration, the Court disagreed and concluded that the statutory language must be interpreted to mean that the Register of Copyrights must act upon an application in order for registration to be made.

### **Practical Considerations**

Currently, it takes the Copyright Office approximately eight months to process an application for copyright registration. However, the Office does have a process in place for an applicant to apply for and obtain a registration on an expedited basis, for the "Special Handling" fee of \$800. The Copyright Office will then make its "best effort" to review the application within five working days, but there is no guarantee that it will grant registration within that time.

Those who delay copyright registration may be also severely limiting the remedies available to them in the event of infringement. Copyright owners can always sue for actual damages, infringer's profits, and an injunction for infringements that occur before the effective date of their copyright registration. However, if the infringement occurs *after* the effective date of registration, a court may also grant the copyright owner statutory damages and attorneys' fees. Copyright owners seeking statutory damages may be awarded up to \$150,000 for willful infringement of each work.

In light of the differences in available damages, content creators are encouraged to register their copyrights early. Moreover, content creators for certain categories of works that have historically been subject to pre-release infringement may consider preregistering their copyright. These categories include motion pictures, sound recordings, musical compositions, literary works being prepared for publication in book form, computer programs, or advertising or marketing photos. Preregistration is not a substitute for registration. However, preregistering such a work helps to preserve the content creator's right to an award of statutory damages and attorneys' fees, as long as he or she submits an application for registration, the application fee, and deposit copy within the earlier of three (3) months of first publication of the work, or one (1) month of learning of the infringement. A content creator may also commence infringement action to enforce the copyright in the preregistered work (if followed by the timely submission) prior to registration being issued.

The Supreme Court's adoption of the registration approach has numerous additional implications. Small copyright owners lacking the capital to register all works immediately, let alone pay the special handling fee for an expedited registration, may be at a greater disadvantage in protecting their works. Further, the Court's requirement that the Copyright Office render a decision prior to the filing of infringement lawsuits could delay access to other time sensitive remedies such as DMCA takedowns.

### **Conclusion**

As a matter of best practice, artists, writers, musicians and other content creators should be proactive about registering copyrights for their work. Rather than waiting for infringement to occur, any creator of copyrightable material that is likely to be stolen should submit application materials to the U.S. Copyright Office as soon as practicable after the initial publication of the work. The alternative is the costly Special Handling application procedure. When it comes to protecting copyrightable work, time is of the essence. Simply put, early registration is the best means to avoid excessive fees and ensure the broadest protection of copyrightable works. ♦

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