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Expert Analysis

U.S. Supreme Court Issues Two Unanimous Rulings Clarifying Meanings of ‘Registration’ and ‘Full Costs’ in Copyright Act

On March 4, 2019, the U.S. Supreme Court issued two unanimous decisions interpreting the Copyright Act.

In *Fourth Estate Public Benefit v. Wall-Street.com*, 586 U.S. ___, the court resolved a circuit split over when a plaintiff has the ability to bring a copyright infringement suit. The court held that “registration ... has been made” under 17 U.S.C. §411(a)—and thus an infringement lawsuit may be commenced—only once the Copyright Office processes and accepts the registration application for a work. In so ruling, the Supreme Court expressly rejected the position adopted by some circuit courts that “registration” can be satisfied by the mere act of submitting a complete application to the Copyright Office.

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In *Rimini Street v. Oracle USA*, 586 U.S. ___, the court clarified that the award of “full costs” to a party in copyright litigation pursuant to 17 U.S.C. §505 does not expand the categories of expenses that may be awarded as “costs” as enumerated in the general federal cost statute, codified at 28 U.S.C. §§1821, 1920. The court further explained that an “explicit statutory instruction” is required to permit the award of such costs as expert witness fees, e-discovery expenses and jury consulting fees.

Both cases are discussed below.

‘Fourth Estate’

Background. Section 411(a) of the Copyright Act provides, in

pertinent part, 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.” This language had for years been the subject of a circuit split: Some courts concluded that a work is “registered” under §411(a) when a copyright holder delivers the

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required application, deposit and fee to the Copyright Office. Other courts have required the actual issuance of a registration by the Copyright Office (despite the fact that, absent expedition, registration sometimes can take several months).

Wall-Street.com (Wall-Street), a news website, licensed journalism works from Fourth Estate Public Benefit Corporation (Fourth Estate), a journalism collective. Fourth Estate sued Wall-Street for copyright infringement when the parties' license agreement expired and Wall-Street failed to remove Fourth Estate's content from the website. The district court dismissed the complaint because Fourth Estate had not yet obtained actual registrations from the Copyright Office for the articles at issue. The U.S. Court of Appeals for the Eleventh Circuit affirmed.

The Supreme Court's Decision. In a unanimous decision authored by Justice Ruth Bader Ginsburg, the Supreme Court affirmed, based on statutory construction, and took the stricter view of "registration." The court set forth several reasons why Wall-Street's interpretation of §411(a) must be adopted and why Fourth Estate's construction was not supported by the language of the statute.

For example, the court noted that Fourth Estate made an "implausible assumption" that "registration" means the "act of filing an application" in one sentence of §411(a), but in a subsequent sentence (which

allows applicants to bring suit action upon serving notice on the Register of Copyrights when registration has been refused) "'registration' would entail the Register's review of an application." The court further noted that §411 elsewhere sets forth the process for the Register's grant or refusal of registration and in so doing expressly distinguishes "application" from "registration," and that the existence of the separate "pre-registration" option in §408(f) of the Copyright Act is consistent with the view that a completed application is not a "registration."

Addressing policy concerns raised by Fourth Estate, the court explained that the Copyright Act protects copyright owners' rights even where no registration lies—that is, copyright owners may recover damages for past infringement that occurred prior to actually obtaining a registration. While the court acknowledged that registration processing times have greatly increased since the Copyright Act was first enacted, it found Fourth Estate's fear that the three-year statute of limitations will run out before the Copyright Office acts on a copyright owner's registration application to be "overstated," given that the average processing

time is currently seven months. Ultimately, the court concluded that "administrative lag" due to staffing and budgetary shortages is an issue for Congress to resolve.

Looking Ahead for Copyright Applicants. Although the Supreme Court has provided some much-needed clarity regarding §411(a) and brushed aside Fourth Estate's policy concerns, its decision will likely have a substantial effect on copyright litigation. While it is true that past damages that arose prior to registration are available to copyright plaintiffs, that does not address a copyright owner's ability to obtain injunctive relief to immediately stop the infringing activity. Accordingly, it is now far more imperative that copyright owners seek to register copyrights upon the creation of works, or, for particularly important works, consider seeking and paying for expedition of a copyright application. Otherwise, plaintiffs may risk extended periods of time during which a work is being infringed but a federal lawsuit cannot be filed.

'Rimini Street'

Background. Section 505 of the Copyright Act provides that a district court may allow for the recovery of "full costs" by

a litigant in a copyright case. The general statute that governs the awards of costs in federal litigation—28 U.S.C. §§1821 and 1920—specifies six categories of litigation expenses that qualify as “costs”: (1) fees of the clerk and marshal; (2) fees of the court reporter; (3) fees and disbursements for printing and witnesses; (4) fees for copies of papers used in the case; (5) docket fees; and (6) compensation for court-appointed experts and interpreters.

In 2010, Oracle USA (Oracle) filed suit against Rimini Street (Rimini) in the U.S. District Court for the District of Nevada alleging copyright infringement of Oracle’s software. Following a jury award, the district court ordered Rimini to pay an additional \$28.5 million in attorney’s fees, \$4.95 million in costs and \$12.8 million for litigation expenses such as expert witnesses, e-discovery and jury consulting. Rimini challenged the \$12.8 million award as improper because it exceeded the scope of the six categories provided in §§1821 and 1920.

The U.S. Court of Appeals for the Ninth Circuit affirmed the award, finding that it was appropriate because §505 of the Copyright Act permits the award of “full costs,” which is not lim-

ited to the categories in §§1821 and 1920. The Supreme Court granted certiorari to resolve a circuit split on the issue.

The Supreme Court’s Decision. In a unanimous decision authored by Justice Brett M. Kavanaugh, the court reversed the Ninth Circuit and held that “full costs” under §505 means the costs specified in the general costs statute codified at §§1821 and 1920. The court explained that courts may not award litigation expenses that are not specified in §§1821 and 1920 absent explicit authority to do so.

The court declined to hold that the word “full” alters the meaning of “costs,” rejecting Oracle’s argument that the phrase “full costs” is borrowed from older English copyright laws that permitted prevailing litigants to recover all litigation expenses. The court further rejected Oracle’s arguments that the word “full” would be unnecessary surplusage if “full costs” simply meant the “costs” listed in §§1821 and 1920. In so ruling, the court noted that Oracle’s argument would create its own redundancy problem, because §505 of the Copyright Act also authorizes a court to award “a reasonable attorney’s fee to the prevailing party as part of the costs.”

Looking Ahead for Copyright Litigation. The Supreme Court’s clarification regarding awards of “costs” under the Copyright Act limits the amount of recovery that a copyright litigant may obtain as a matter of right, and may create some disincentive to incur certain kinds of expenditures during litigation. It is worth noting, however, that §505 also permits courts to award reasonable attorney’s fees to “prevailing” copyright litigants, albeit as a matter of courts’ discretion. Accordingly, it is difficult to predict whether the court’s clarification regarding “costs” will have any material impact on activities by copyright litigants going forward.