

IMPLICATIONS OF REED ELSEVIER V. MUCHNICK

By Michael J. Kasdan and David Mitnick

Law360, New York (March 17, 2010) — On March 2, 2010, in *Reed Elsevier Inc. v. Muchnick*, No. 08-103, the U.S. Supreme Court held that failure to have a federal copyright registration for the underlying work in a copyright infringement lawsuit is not a jurisdictional defect and therefore does not preclude courts from having subject matter jurisdiction over the copyright claim.

This case addresses the Copyright Act's "registration requirement," 17 U.S.C. § 411(a), which states in relevant part that: "no civil action for infringement of the copyright in any United States work¹ shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title."

The Reed Elsevier decision holds that federal district courts nonetheless have jurisdiction over copyright infringement claims that involve unregistered United States works. Reed Elsevier overturns long-standing jurisprudence in which federal courts had dismissed cases involving copyright infringement claims for unregistered works due to lack of subject matter jurisdiction.

The headlines regarding the Reed Elsevier decision may cause the casual reader to wonder whether registering a copyright remains a necessary step to take prior to bringing a copyright litigation, and whether this decision will open the floodgates for federal courts to adjudicate copyright infringement suits involving unregistered works.

As further discussed below, there is an important distinction between whether the federal courts have jurisdiction over such claims (the issue before the court in *Reed Elsevier*) and whether such claims are viable on the merits. See Slip op. at 5-6.

If a court is without jurisdiction over a claim, it lacks the power to hear the claim at all. However, just because a court has jurisdiction over a claim does not mean that the claim is substantively proper. Satisfying the registration requirement remains a statutory element of a copyright infringement claim, which must be satisfied to succeed on the claim.

Therefore, even though courts now have jurisdiction to hear copyright claims that are based on unregistered works, there is a high risk that court will grant a motion for summary judgment or motion to dismiss copyright claims based on unregistered works for failure to state a claim.

Accordingly, Reed Elsevier should not cause potential plaintiffs to forego the step of obtaining copyright registration on their United States works. And it will likely not trigger a rash of copyright infringement lawsuits based upon such unregistered works.

¹ Of note, this statutory registration requirement applies only to "United States works." Foreign copyright owners need not satisfy this registration requirement.

Nonetheless, as further explained below, by providing the flexibility for courts to hear copyright cases involving unregistered works, the Reed Elsevier decision may have a significant practical impact on certain types of copyright cases, including class action settlements and declaratory judgment actions.

Factual Background

The factual background of the Reed Elsevier decision is historically tied to the Supreme Court's decision in *New York Times Co. v. Tasini*, 533 U.S. 483 (2001).

In *Tasini*, the court agreed with the Court of Appeals for the Second Circuit that the copyrights of several freelance authors were infringed by several owners of online databases and publishers, who had reproduced the authors' works electronically without first securing their permission.

After the *Tasini* ruling, the *Tasini* lawsuit returned to the district court to deal with the remedial issues, and together with a number of other suits by similarly situated freelance authors were consolidated as a multidistrict litigation in the Southern District of New York.

The class of authors represented in the consolidated class action involved both United States authors who had registered their copyrighted works, as well as (a far more numerous group of) United States authors who had not. Ultimately, after years of litigation, a settlement was reached. The district court certified a class for the settlement and approved it as fair and reasonable. Slip op. at 2-3.

A minority of the freelance authors objected to the settlement and appealed the district court's fairness ruling to the Second Circuit. However, shortly before oral argument, the Second Circuit Court of Appeals sua sponte ordered briefing on the question of whether the registration requirement set forth in Section 411(a) of the Copyright Act deprived the district court of subject-matter jurisdiction over infringement claims involving unregistered copyrights.

No party had previously raised this issue. Indeed, all parties filed briefs asserting that the district court had subject-matter jurisdiction to approve the settlement, even though the class included holders of unregistered United States works.

Despite the parties' position, the Second Circuit held that the Copyright Act's registration requirement was jurisdictional in nature² and, on this basis, concluded that the district court lacked the authority either to certify the class or to approve the settlement. *Id.* at 4. An appeal to the U.S. Supreme Court followed.

² The Second Circuit was certainly not alone in reaching the conclusion that the Section 411(a) registration requirement was jurisdictional in nature. Numerous other courts had reached the same conclusion. See, e.g., *MGB Homes Inc. v. Ameron Homes Inc.*, 903 F.2d 1486, 1488 (11th Cir. 1990) ("the registration requirement is a jurisdictional prerequisite to an infringement suit."); *Prospect Planet LLC v. Paychecks for Life.com*, 2003 U.S. Dist. LEXIS 835 at *5 (D.N.D. 2003) (same); *Brewer-Giorgio v. Producers Video Inc.*, 216 F.3d 1281, 1285 (11th Cir. 2000) (describing this rule as "well settled"); see also 3-12 *Nimmer on Copyright*, § 12.01[a][3] at n.110 ("registration of a copyright and recordation of the instrument of transfer under which a copyright is claimed are jurisdictional requirements to an infringement action ...")

Discussion

In *Reed Elsevier*, the only question before the Supreme Court was whether the registration requirement of the Copyright Act, 17 U.S.C. § 411(a), was a jurisdictional requirement, or whether it was merely a required element of the copyright infringement cause of action itself.

In a technical statutory-language-based opinion, the Supreme Court found it was the latter.³ The court's finding is rooted in the language of Section 411(a). The court examined this language, and found that it does not "clearly state" that the registration requirement is jurisdictional. *Id.* at 8-9.

Applying the rule that a statutory requirement is only considered jurisdictional if Congress "clearly states" that it should be counted as jurisdictional and that a statutory condition "not ranked as such should be treated as non-jurisdictional in character," the court held that the registration requirement of Section 411(a) of the Copyright Act is not jurisdictional. *Id.* at 11.

Accordingly, the court ruled that the federal courts do have subject matter jurisdiction over, i.e., the power to hear, in the first instance, and to decide, copyright suits involving unregistered United States works.

Importantly, the Supreme Court's analysis was limited to this sole issue. In concluding that the registration requirement was not jurisdictional, the court's decision most certainly did not broadly "bless" copyright claims based on unregistered works. Indeed, the registration requirement remains one of the elements of a cause of action for copyright infringement.

Thus, a plaintiff who does not register its copyright prior to filing suit may well find its claim subject to an immediate motion to dismiss for failure to state a claim, or a motion for summary judgment on the same basis.

Indeed, the court hinted that because the registration requirement is still a "mandatory precondition to suit" (albeit not a jurisdictional requirement) district courts may in certain cases, enforce this precondition *sue sponte* "by dismissing copyright infringement claims involving unregistered works."

With that being said, there are some important practical consequences of the court's decision in *Reed Elsevier*. By ruling that the registration requirement is not jurisdictional, the court provided a measure of flexibility to courts in how they handle copyright claims that involve unregistered works.

If the Supreme Court had agreed that failure to register was a jurisdictional defect, this defect could not be waived or consented to by the parties. Courts would simply lack power to hear the case at all, and the only option would be to immediately dismiss the case. That is not the case under *Reed Elsevier*.

The practical impact of the decision in such circumstances is illustrated by the very proceedings leading to *Reed Elsevier* itself. There, a settlement was reached and approved by the district court. Even though no party requested or supported it, the Second Circuit reversed and dismissed the entire case for lack of subject matter jurisdiction, thus jeopardizing the entire settlement.

³ Other recent decisions have also carefully examined the distinction between a jurisdictional requirement and an element of the cause of action. See, e.g., *Litecubes LLC v. Northern Lights Products Inc.*, 2006-1646 (Fed. Cir. 2008) (in context of patent infringement action). Not surprisingly, in several of such cases (as in *Reed Elsevier*), courts found that they do have the power, i.e., subject matter jurisdiction, to hear the underlying claims.

This flexibility to hear a copyright case involving unregistered works may be significant in certain circumstances:

1) Copyright Class Action Settlements

One type of copyright case in which this flexibility may be significant is in the context of class action proceedings and their settlements. The Reed Elsevier decision allows courts to certify and approve class action settlements that involve a mixture of registered and unregistered United States works (or even those that involve only unregistered United States works).

The Supreme Court's reversal protects the ability of courts to resolve such copyright cases — even those that involve unregistered copyrights — by settlement. This is particularly noteworthy, since the class action lawsuit and settlement has become an increasingly popular mechanism to resolve large-scale copyright claims, which may involve both registered and unregistered United States works.

Perhaps the most prominent of these class action settlements, in terms of media attention, has been the so-called Google Book Settlement (arising from *The Authors Guild Inc., et al. v. Google Inc.*, Case No. 05 CV 8136 (S.D.N.Y.)), in which Google seeks to resolve numerous copyright infringement claims against it for its digital library building project, in which it scans and digitizes the texts of many books from libraries around the world in order to provide access to these works through an online searchable database. See *Google Book Settlement*, (Last Visited March 10, 2010).⁴

2) Declaratory Judgment Actions

A second type of copyright case that the Reed Elsevier decision may impact is the declaratory judgment action. Specifically, the Supreme Court's decision could strengthen the viability of declaratory judgment lawsuits brought by alleged copyright infringers seeking a declaration of noninfringement against copyright-holders whose United States works are unregistered.

In the vast majority of previous cases addressing whether such declaratory judgment actions could proceed, courts relied on the now legally incorrect proposition that the statutory registration requirement was a jurisdictional requirement, and concluded that there was no subject matter jurisdiction over declaratory judgment actions against a U.S. copyright owner that does not have a copyright registration.

See e.g., *Stuart Weitzman LLC v. Microcomputer Resources Inc.*, 542 F.3d 859 (11th Cir. 2008) (dismissing declaratory judgment claim on unregistered United States work on subject matter jurisdiction ground); *Specific Software Solutions LLC v. Institute of WorkComp Advisors LLC*, 615 F.Supp.2d 708, 714 (M.D. Tenn. 2009)(same); *Prospect Planet*, 2003 U.S. Dist. LEXIS 835 at *2 (same); *Audio Sys. of Fl. Inc. v. Simplexgrinnel LLP*, 2003 U.S. Dist. LEXIS 23344 at *9 (M.D. Fla. 2003) (same); but see *Application Sci. & Tech. LLC v. Statmon Tech. Co.*, 2006 U.S. Dist. LEXIS 35885 (N.D. Ill. 2006) (holding that court had jurisdiction over declaratory judgment action for noninfringement of unregistered work noting: "But can a party accuse another of infringement and prevent the alleged infringer from seeking redress by failing to bring a coercive lawsuit? The answer is obviously 'no;' that is a reason for permitting declaratory judgment actions. We think that answer pertains when the accuser seeks to prevent the alleged infringer from seeking redress by failing to register the copyright.")

These cases applying the old jurisdictional rule allowed potential copyright infringement plaintiffs to insulate themselves from declaratory judgment actions by purposefully waiting to register the underlying work until just before they were ready to file their infringement action. By holding that the failure to have a registered work does not strip the courts of subject matter jurisdiction, Reed Elsevier may signal the end to this type of gamesmanship.

⁴ Interestingly, the Google Books Settlement itself is not an ideal example, because it is not impacted by Reed Elsevier. This is because, with an eye towards the prior cases finding that the registration requirement was jurisdictional, the class involved in the Google Books Settlement specifically carved out unregistered United States works.

Conclusion

While Reed Elsevier makes it clear that the failure to register a United States work is not a jurisdictional defect that strips the court of subject-matter jurisdiction, failure to register remains an element of the cause of action for copyright infringement.

Therefore, courts (either upon motion or sua sponte) could very well dismiss or grant summary judgment against copyright infringement claims that are based on unregistered United States works, on substantive and not jurisdictional grounds.

United States copyright-holders who intend to sue for infringement should therefore still be registering their works. Taking this step also provides significant substantive benefits: It allows for statutory damages, provides prima facie proof of ownership of the work, and may provide prima facie evidence of the validity of the copyright.

Significantly, however, Reed Elsevier may provide important practical benefits to those seeking approval of copyright-infringement-based class action settlements. It could also alter declaratory judgment law in the area of copyright infringement, by paving the way for declaratory judgment actions to proceed, even against United States copyright-holders that do not have a registration.

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