New York Law Journal
SERVING THE BENCH AND BAR SINCE 1888
WWW.NYLJ.COM
An ALM Publication
VOLUME 267—NO. 8
WEDNESDAY, JANUARY 12, 2022

INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

Justices Consider Knowledge Requirement For Inaccurate Registrations

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The Copyright Act allows creators of original works of authorship to register their copyright claims with the U.S. Copyright Office. Although registration is not a precondition for copyright protection, registration is required before an infringement action can be brought, and knowing inaccuracies in a registration may be used by an accused infringer to invalidate a copyright. We report here on *Unicolors v. H&M Hennes & Mauritz, L.P.*, in which the U.S. Supreme Court is considering the standard by which an accused infringer must demonstrate that a copyright registrant knew of inaccuracies in a copyright registration. 959 F.3d 1194 (9th Cir. 2020), cert. granted, 141 S. Ct. 2698 (2021). The outcome of this case may affect the ability of accused infringers to avoid liability by relying on inaccuracies in copyright registrations.

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Registration of Copyright Claims

To establish copyright infringement under the Copyright Act, a party alleging infringement must prove, among other things, that it owns a valid copyright. *Feist Publ'ns v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). A registration certificate issued by the U.S. Register of Copyrights "constitute[s] prima facie evidence of the validity of the copyright and of the facts stated in the certificate." 17 U.S.C. §410(c). In certain circumstances multiple works may be registered "as a single work," such as when the individual copyrightable works "are included in a single unit of publication." 37 C.F.R. §202.3(b)(4)(i)(A) (effective Jan. 24, 2011). Although registration is not required to receive copyright protection, 17 U.S.C. §408(a), the Copyright Act requires that copyright owners register their work before bringing an infringement action, id. §411(a).

The Act also provides that "[a] certificate of registration satisfies the requirements of [§411] and section 412, regardless of whether the certificate contains any inaccurate information, unless—(A) the inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate; and (B) the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration," 17 U.S.C. §411(b)(1), and that "[i]n any case in which inaccurate information described under para-

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graph (1) is alleged, the court shall request the Register of Copyrights to advise the court whether the inaccurate information, if known, would have caused the Register of Copyrights to refuse registration," id. §(b)(2).

The District Court and Ninth Circuit Decisions

Unicolors creates designs for use on textiles and markets those designs to garment manufacturers. 959 F.3d at 1195. In February 2011 Unicolors received a copyright registration (the '400 registration), which specified a Jan. 15, 2011 date of first publication. Id. at 1196. The '400 registration contains thirty-one separate designs, all of which were presented to the Unicolors internal sales team on Jan. 15, 2011. Id. One such design is "EH101," which is one of 22 "non-confined" designs in the '400 registration. Id. The other nine designs in the '400 registration are "confined designs," which were presented to the Unicolors internal sales team on Jan. 15, 2011, but were created exclusively for specific customers and thus would not have been placed in Unicolors's showroom with the non-confined designs in the '400 registration. Id.

H&M owns retail clothing stores in the United States. Id. Unicolors sued H&M for copyright infringement, alleging that a design named "Xue Xu" on certain jackets and skirts sold by H&M is "row by row, layer by layer identical" to EH101. Id. A federal jury found that H&M willfully infringed Unicolors's copyright and awarded $846,720 in damages, which the district court reduced to $266,209 following H&M's post-trial motions. Id. at 1196-97.

H&M also moved for judgment as a matter of law that Unicolors does not have a valid copyright because Unicolors knew that all the works in the '400 registration were not published on the same date. The district court denied the motion, finding that H&M "has not shown that the 400 Registration had inaccurate information that, if known to the Register of Copyrights, would have caused it to refuse registration. 37 C.F.R. §202.3(b)(4) requires published works registered as a single unit to have been published concurrently, not to have been published concurrently on any particular date … . Thus, even if the Register of Copyrights had known that the works listed in the 400 Registration were published on a date other than January 15, 2011, it would not necessarily have refused the registration." *Unicolors v. H&M Hennes & Mauritz L.P.*, C.A. No. 16-cv-02322-AB (SKx), 2018 WL 10307045, at *3 (C.D. Cal. Aug. 1, 2018). The district court also found that H&M "has pointed to no evidence indicating that Unicolors knew the 400 Registration contained false information at the time of the registration. Without any showing that Unicolors intended to defraud the Copyright Office, H&M's [] invalidity argument fails." Id. at *4.

The Ninth Circuit reversed, holding that "the district court [] erred in concluding that Unicolors's application for copyright registration did not contain inaccuracies despite the inclusion of confined designs because single-unit registration requires merely that all works identified in the application be published on the same date." 959 F.3d at 1198. According to the Ninth Circuit, under the version of §202.3(b)(4)(i)(A) in effect at the time Unicolors registered its copyright claims, sale as a "single unit" "requires that the registrant first published the collection of works in a singular, bundled collection," such that "a collection of works does not qualify as a 'single unit of publication' unless all individual works of the collection were first published as a singular, bundled unit." Id. at 1199-1200. Thus, "it is an inaccuracy for a registrant like Unicolors to register a collection of work … as a single-unit publication when the works were not initially published as a singular, bundled collection." Id. at 1200.

Notably, the court explained that the "undisputed evidence adduced at trial further shows that Unicolors included the inaccurate information 'with knowledge that it was inaccurate.' And the knowledge inquiry is not whether Unicolors knew that including a mixture of confined and non-confined designs would run afoul of the single-unit registration requirements; the inquiry is merely whether Unicolors knew that certain designs included in the registration were confined and, therefore, were each published separately to exclu-

sive customers." Id. (citations omitted).

The Ninth Circuit also rejected the intent-to-defraud requirement imposed by the district court, stating that although "several opinions from this Court have implied that there is an intent-to-defraud requirement for registration invalidation … we recently clarified that there is no such [] requirement." Id. at 1198.

The Ninth Circuit instructed the district court on remand "to submit an inquiry to the Register of Copyrights asking whether the known inaccuracies contained in the '400 Registration application detailed above, if known to the Register of Copyrights, would have caused it to refuse registration." Id. at 1200.

Supreme Court Appeal

The Supreme Court granted Unicolors's petition for certiorari as to the first question of its petition: "Did the Ninth Circuit err in breaking with its own prior precedent and the findings of other circuits and the Copyright Office in holding that 17 U.S.C. §411 requires referral to the Copyright Office where there is no indicia of fraud or material error as to the work at issue in the subject copyright registration?" 2021 WL 86892, at *i.

In its merits brief, Unicolors explains that the question presented is whether the "'knowledge' element" of §411(b)(1) "precludes a challenge to a registration where the inaccuracy resulted from the applicant's good-faith misunderstanding of a principle of copyright law." 2021 WL 3468958, at *i. Unicolors argues that "[t]o pose the question is to answer it: Does an applicant have 'knowledge' of the inaccuracy of a statement if, by dint of a good-faith misunderstanding, she does not know that the statement is inaccurate? Of course not: Someone who does not know that a statement is inaccurate has no knowledge that it is inaccurate." Id. at *22. According to Unicolors, "a copyright registration applicant who includes inaccurate information on a registration form due to a mistaken understanding of the law does not have 'knowledge' that the 'information' is 'inaccurate'" because the text of §411(b)(1)(A) "requires proof of 'knowledge' that the 'information' itself was inaccurate, not knowledge of surrounding or underlying facts or circumstances from which one could derive knowledge." Id. at *18.

In response, H&M argues that "[e]ven the most creative lawyer would have a hard time explaining why a statute that says 'knowledge' should be construed to require 'fraudulent intent.' … Had Congress wished to pick a different mental state, it easily could have. It could have required the conduct be 'fraudulent' or 'deceptive.' It could have specified the illicit purpose, as does 17 U.S.C. 1327's penalty for false representations made 'for the purpose of obtaining registration.' And, of course, it could have simply picked 'intent.' Congress's decision to use 'knowledge' ends the matter." 2021 WL 4353036, at *24-25 (citations omitted).

Notably, the United States submitted an amicus brief in support of Unicolors and received permission to participate in oral argument as an amicus supporting Unicolors. The United States argued in its brief that "when information on a certificate of copyright registration reflects an erroneous view of applicable law, the registration remains valid if the applicant believed that its view of the law was correct." 2021 WL 3633822, at *13.

At oral argument on Nov. 8, 2021, the Justices questioned the parties as to the meaning of "knowledge," and whether constructive knowledge or willful blindness constitute "knowledge" within the meaning of §411.