

Copyright Developments

Fifth Circuit Tosses Statutory Damages Award, Reinforcing the Importance of Early Copyright Registration

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In its recent decision in *Southern Credentialing Support Services, L.L.C. v. Hammond Surgical Hospital, L.L.C.*, No. 18-31160, 2020 U.S. App. LEXIS 624 (5th Cir. Jan. 9, 2020), the Fifth Circuit held that a court may not award statutory damages in a copyright infringement matter for post-registration infringement even if the post-registration infringement was different from the pre-registration infringement.

Plaintiff, a healthcare credentialing service, filed an infringement suit against defendant, a surgical hospital, alleging that defendant continued to use plaintiff's credentialing forms without authorization after the parties' business relationship had ended. The district court granted plaintiff's motion for summary judgment as to the existence of plaintiff's copyright in, and defendant's infringement of, the credentialing forms, awarded statutory damages to plaintiff, issued an injunction and found that plaintiff was entitled to attorneys' fees. Plaintiff and defendant both appealed. On appeal, defendant argued that (a) statutory damages and attorneys' fees were barred by 17 U.S.C. § 412 because defendant's infringement predated plaintiff's copyright registration; and (b) plaintiff's credentialing forms lack originality and that it did not copy the forms.

The Fifth Circuit affirmed the lower court's conclusion that defendant infringed plaintiff's valid copyrights and affirmed the permanent injunction against defendant. However, the Fifth Circuit determined that the lower court had erred in ruling that plaintiff was entitled to recover statutory damages and legal fees. Instead, the court held that § 412's bar on statutory damages for "any infringement" commenced before registration must be broadly interpreted to prohibit statutory damages for defendant's post-registration infringements, despite the fact that defendant's infringement changed from reproducing the copyrighted forms pre-registration to distributing the forms post-registration. In reaching this conclusion, the Fifth Circuit found that the lower court had inappropriately declined to apply the well-established rule barring "statutory damages when the same defendant infringe[s] the same work in the same fashion before and after registration," and had incorrectly determined that plaintiff was entitled to statutory damages and legal fees because defendant's post-registration infringements were "different in kind" from infringements pre-dating registration. The court elaborated on its ruling, indicating that the lower court's interpretation was inconsistent with the spirit of the Copyright Act, which does not treat "different" infringements differently, and was "at odds with the basic copyright principle that each violation of a section 106 right is a coequal infringement." Instead, the court held that § 412 prohibits an award of statutory damages when a defendant infringes a § 106 right pre-registration and violates a separate § 106 right post-registration. Such a rule additionally incentivizes authors to register their copyrights early.