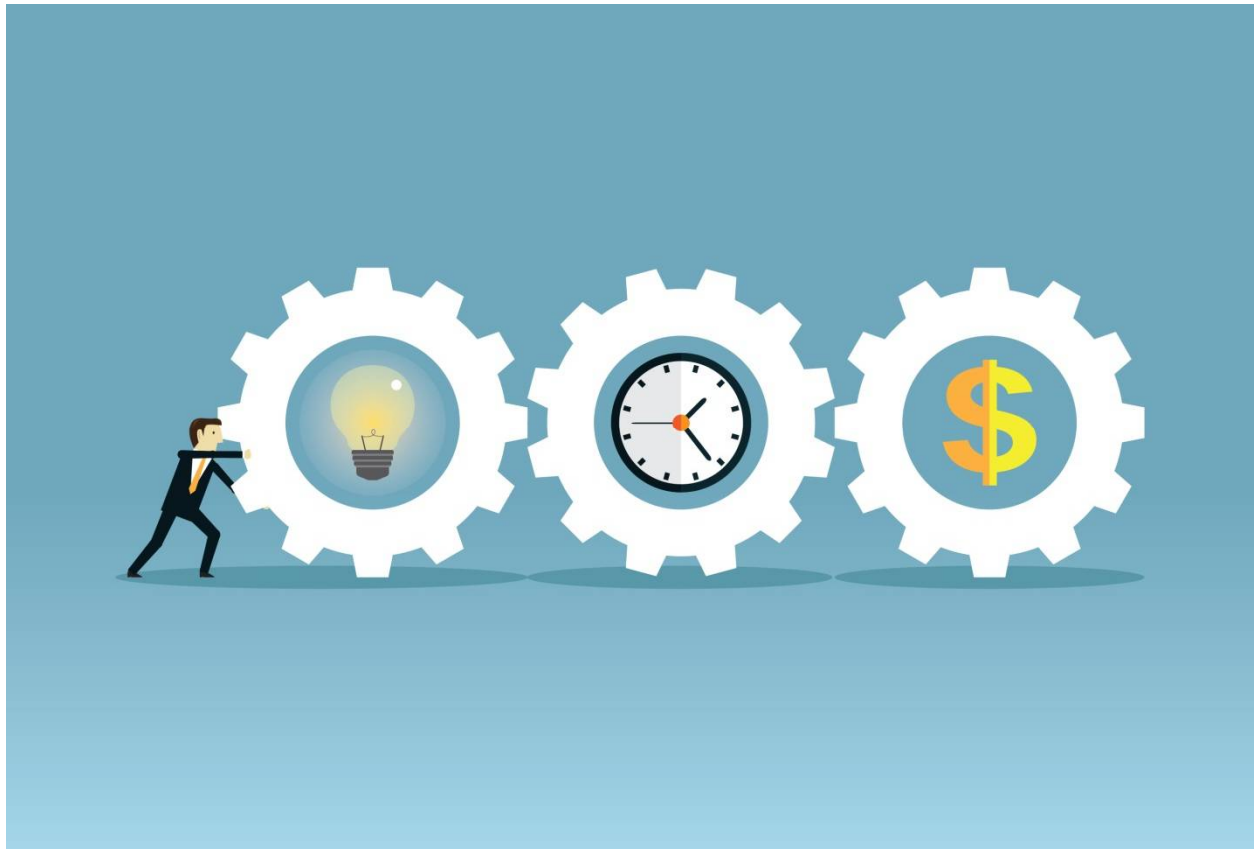


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# iPHILLIPS NIZER

*Where intellectual property and business law intersect with industry.*

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## What Does Public Domain Really Mean?

On January 1, 2019, the United States copyright for all books, films, art and music first published in 1923 expired and the works entered the public domain in the United States. Each successive new year will bring a new mass termination of copyright protection in the U.S., as the maximum ninety-five year term of copyright for works first published prior to 1978 expires. Among the works now in the public domain in the U.S. are The Prophet by Kahil Gibran, George Bernard Shaw's play, Saint Joan, Agatha Christie's novel, The Murder on the Links, the song, "Who's Sorry Now," and Robert Frost's poetry collection New Hampshire, containing "Stopping by Woods on a Snowy Evening."

When works enter the public domain, anyone can publish a copy of them, can use them to make new copyrightable works, and can perform them without charge within the U.S. However, there are territorial and substantive limits of U.S. copyright law. U.S. law applies only to exploitation of the works in the U.S. Exploitation of new works outside the U.S. is governed by the law of the place of exploitation, which can provide a different copyright term. In addition, trademark law can prevent certain uses of the contents of even public domain works.

### 1. Public Domain Status in the U.S. Does Not Necessarily Mean Public Domain Outside the U.S.

U.S. copyright law provides for a ninety-five year term of potential protection from the

date of first publication for all works that remained protected by copyright in 1978 without regard to the nationality of the author or the term of protection in the country of origin of the work. This is not true in most other countries where, in accordance with the terms of the Berne Convention for the Protection of Literary and Artistic Works ("Berne"), one of the oldest international treaties governing the recognition of the rights of authors, the copyright term is measured by the life of the author. The United States did not join Berne until March 1, 1989, although it adopted the life of the author as the measure of the copyright term for works created after 1978. Berne requires a minimum term of copyright of fifty years following the death of the author and permits each country to fix a longer term. In the European Union, the term of copyright is seventy years following the author's death and some countries, such as Mexico, have even longer terms. The distinction in term of copyright between the U.S. and the Berne countries has permitted a work such as The Prophet to remain protected in the U.S., although it entered the public domain throughout most of the world by 2001, seventy years after Gibran's death.

Determining whether any particular work, including works of American authors, are still protected by copyright in any country can be a complicated process depending on a number of variables, including the nationality and date of death of the author, where the work was first published, whether the work was published within thirty days of its U.S. publication in a country then a party to Berne, whether the country of exploitation follows the rule of the "shorter term" and whether there is an applicable bilateral or other treaty in effect that would vary that rule.

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For example, Saint Joan by George Bernard Shaw will remain protected throughout the European Union and other countries affording seventy years of post-mortem protection until 2021, at which point all of Shaw's works will become public domain everywhere, except in the U.S. where protection will continue until ninety-five years after first publication of the work in question. Similarly, all of Agatha Christie's works are protected in the European Union and other countries until 2046, seventy years after her death. Thus, although you can create a movie or play of her pre-1924 novels, the only place such a derivative work can be exploited or presented at this time is in the U.S. This is because both Shaw and Christie were nationals of a Berne Convention country in 1923, and the copyright term for their works outside the U.S. will be measured by their respective dates of death.

On the other hand, the Robert Frost poetry collection, New Hampshire, is now possibly public domain in much of the world. This is because of the "rule of the shorter term." Under that rule, if a work is public domain in the country of its origin, then a non-national does not get the benefit of the longer copyright term otherwise applicable in the country of exploitation under Berne. However, the rule will not be applied if the Frost work was published in a Berne country first or in a Berne country within thirty days of its U.S. publication (deemed a "simultaneous publication" under Berne).

## **2. Intellectual Property Rights Other Than Copyright Can Limit Certain Forms of Exploitation**

While copyright is term limited, trademarks can last forever so long as they continue to be used and function to identify the source of a good or service. A trademark is acquired by

virtue of its adoption and use as a designation of source of goods and services and not merely to identify a copyrighted work. A business can adopt a public domain illustration as a trademark, and by virtue of use to signify its business and source of its products, can obtain trademark rights in the public domain illustration. Thus, trademarks can provide an independent source of protection for the copyright proprietor and its licensees which can continue after the copyright expires.

But the interaction of copyright and trademark can present difficulties with respect to the use of public domain works. The general rule is that once a copyrighted work falls into the public domain, others are free to copy the original work and truthfully use its title and the name of the original author to identify the original work. The Supreme Court has held that the original author does not have to be credited, and there is no violation of trademark law if he or she is not. Nonetheless, courts have required the publisher of the new edition of the work to sufficiently indicate the new source, so that the public is not misled as to the identity of the producer and source of the new edition.

When a literary work passes into the public domain, other authors can create new works featuring the literary characters, provided that the new works confine themselves to the features of the characters contained in the public domain source. For example, the Seventh Circuit Court of Appeals held that an author was free to publish new stories featuring Sherlock Holmes and Dr. Watson provided that the characteristics included the features taken from the public domain story sources and did not include features first introduced in works for which copyright still subsisted.

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The names and images of popular visual and cartoon characters also can have protection under trademark law as well as under copyright law. The expiration of a copyright allows reproduction of the work and its component characters, character names and images in the context in which they originally appeared. However, use of character images and names that have acquired trademark protection, either through trademark registration or use, outside of their original context can constitute trademark infringement. As indicated above, trademark protection does not end solely because copyright protection ends.

The case of Beatrix Potter's Peter Rabbit stories illustrates the issue. Frederick Warne published Beatrix Potter's Peter Rabbit stories from their inception and adopted a drawing of the character as its logo by placing the selected illustration on the cover and spine of all of the works as well as a colophon on the title page. When the works entered the public domain, a publisher compiled seven of the stories in its own volume, using the same Peter Rabbit image on the cover, spine and each page corner. The court found that even though the images were now public domain for copyright purposes, the use of the images outside of the stories could infringe the original publisher's trademark in its logo.

The names and appearance of some of the most iconic literary or visual characters have been registered as trademarks for a multiplicity of goods and services. For example, Disney has held a trademark registration for the name Mickey Mouse for motion pictures since 1928; and the name has been registered for toys, computer software and many other products and entertainment services over the years. Thus, when the cartoon "Steamboat Willie" passes into the

public domain in 2023, copies of the cartoon can be sold and clips from the cartoon can be incorporated in new audiovisual works, but merchandising uses of the name Mickey Mouse and uses of images from the cartoon apart from the original cartoon context risk running afoul of Disney's trademark rights.

In sum, while the arrival of "Public Domain Day" is rightly celebrated for its potential to lead to new popularly priced editions of hard to find works and new creative works built from the old, care must be taken in exploiting works outside of the U.S. or which are divorced from their original expressive context.

## High Court Deters Patent Trolls from Forum Shopping

The Supreme Court altered the landscape of patent litigation in its unanimous decision in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct 1514, \_\_ U.S. \_\_ (2017). This case concerned the issue of "where proper venue lies for a patent infringement lawsuit brought against a domestic [as opposed to a foreign] corporation." *TC Heartland* overruled the holding of the United States Court of Appeals for the Federal Circuit (the "Federal Circuit") in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

*TC Heartland* makes it almost impossible for patent plaintiffs to "forum shop" by strictly limiting the venues where a defendant in a patent case may be sued to district courts in the state in which the defendant is organized or in which the defendant has committed acts of infringement and has a regular place of business.

That had not been the rule in the 27 years since *VE Holding*. In that case the Federal Circuit held that changes made by Congress to

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28 U.S.C. §1391(c) (the “General Venue Statute”) in 1988 meant that Congress intended to graft the General Venue Statute onto the 28 U.S.C. § 1400b (the “Patent Venue Statute”) so that a corporate defendant in a patent lawsuit was deemed to reside in the state in which it was organized *and* wherever it had committed an infringing act and was subject to the jurisdiction of the local district court. Since successful inventions were practiced nationwide, defendants accused of infringing such patents could be sued virtually anywhere in the United States.

After *VE Holding*, and prior to *TC Heartland*, patent holders, including non-practicing entities, or “patent trolls,” could select a district court virtually anywhere in the United States to bring their patent lawsuits. The United States District Court for the Eastern District of Texas, which sits in the cities of Beaumont, Marshall, Texarkana and Tyler, established a plaintiff friendly environment for patent plaintiffs by nurturing a regime of patent oriented judges, staffs and juries, and employing a “rocket docket.” This unlikely district soon became the most popular district in the United States for patent cases, and by 2015 about 47% of all patent cases filed in the United States were filed in that district. This number fell to 37% in 2016, but a disproportionate number of patent lawsuits were still filed in that district.

Looking at the venue statutes at issue, the Patent Venue Statute provides:

“(b) any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular place of business.”

The General Venue Statute is much broader, providing in pertinent part:

“(c) an entity with the capacity to sue and be sued . . . under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the action in question . . .”

In *Fourco Glass Co. v. Trasmirra Products Corp.*, 353 U. S. 222, 226 (1957), the Supreme Court held that the Patent Venue Statute “is the sole and exclusive provision controlling venue in patent infringement actions, and ... is not to be supplemented by... the [General Venue Statute], and therefore for the purposes of [The Patent Venue Statute], a domestic corporation “resides” only in its state of incorporation.” This was the law regarding venue in patent cases until the Federal Circuit decided in *VE Holding* that *Fourco* was no longer applicable to the issue in view of the 1988 amendments to the General Venue Statute.

The Supreme Court did not address the Federal Court decision in *VE Holding* until the 2016-2017 term. Thus, the number of patent lawsuits brought in the Eastern District of Texas was allowed to grow over a period of 27 years and many defendants in cases in that and in certain other districts found out what it meant to have a plaintiff bring a patent lawsuit before a patent friendly judge and jury.

The genesis of the *TC Heartland* Supreme Court decision was a patent lawsuit brought in 2015 in the District of Delaware by Kraft Foods against TC Heartland, an Indiana corporation with its headquarters in Indiana. TC Heartland moved to dismiss the case or to

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transfer venue to the District Court for the Southern District of Indiana, arguing that venue was improper in Delaware under the *Fourco* decision. The District Court of Delaware denied TC Heartland's motion, citing Federal Circuit precedent, including *VE Holding*. In 2016, The Federal Circuit denied a petition for writ of mandamus, *In re TC Heartland LLC*, 821 F.3d 1338 (2016), noting in its opinion that the Patent Venue Statute, as construed in *Fourco*, had effectively been amended by statutory amendments to the General Venue Statute made since the *Fourco* decision, and that the General Venue Statute now supplied the definition of "resides" in the Patent Venue Statute. The Supreme Court granted certiorari in December 2016, 580 U.S. \_\_.

Justice Thomas, speaking for a unanimous Court in *TC Heartland*, closely analyzed Supreme Court precedent and the recent (post *Fourco*) amendments to the General Venue Statute. He also noted that the Patent Venue Statute had not been amended since the *Fourco* decision.

He analyzed the language of the statutes amending the General Venue Statute and found nothing indicating that Congress intended to amend the Patent Venue Statute when it amended the General Venue Statute. He noted that "[w]hen Congress intends to effect a change of that kind, it ordinarily provides a relatively clear indication of its intent in the text of the amended provision," and "that the current text of the General Venue Statute contains no such indication that Congress intended to alter the meaning of Section 1400(b) as interpreted by *Fourco*." He also concluded that the amendments to the General Venue Statute did not make the section materially different from the section

in effect at the time of the *Fourco* decision. Thus, *VE Holding* was reversed.

It is hardly a surprise that since the *TC Heartland* decision, the geographic spread of patent cases has shifted dramatically. The District of Delaware now has the most patent cases, no doubt because many corporations are organized under Delaware law. The Eastern District of Texas is second, probably because *TC Heartland* only applies to domestic corporations so that foreign corporations can still be sued there. The percentage of cases brought in Delaware is about 28% of the total, up from about 12%, while the percentage of cases brought in the Eastern District of Texas has dropped from about 37% to about 15%. The percentage of cases brought in the Northern and Central Districts of California, the Northern District of Illinois and the Southern District of New York have also increased, likely due to the number of companies organized or doing business in those places.

## Possible Applications of Blockchain for Intellectual Property Protection

Blockchain – the technology first developed to power Bitcoin – is often touted as “game-changing.” One area suggested for future Blockchain innovation is intellectual property protection. What will that look like?

This article suggests that current uses of Blockchain technology in the supply chain management field provide examples of its capabilities that may transfer adeptly to meet intellectual property needs. There will be a brief non-technical explanation of Blockchain technology, and a few illustrative examples of early applications in the area of supply chain management, before imagining possible uses

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of Blockchain in the intellectual property sphere.

### **What is Blockchain?**

It is said that what the Internet did for communication, Blockchain will do for business processes. Often it is described as a “digital ledger” stored in a distributed network. It can be a ledger of transactions or of any other kind of information where the timing and trustworthiness of the facts recorded are important.

Blockchain was first designed as the platform for Bitcoin as it enables both the making and the verification of Bitcoin transactions (and now for thousands of other cryptocurrencies). Marc Andreessen, the co-founder of Netscape and the Silicon Valley venture capital firm, Andreessen Horowitz, gave this explanation of what made Bitcoin such a breakthrough:

“Bitcoin gives us, for the first time, a way for one Internet user to transfer a unique piece of digital property to another Internet user, such that the transfer is guaranteed to be safe and secure, everyone knows that the transfer has taken place, and nobody can challenge the legitimacy of the transfer. The consequences of this breakthrough are hard to overstate.”

Whether used for virtual currency or other business information, the ledger file is not stored on a central entity’s server, like a bank or corporation, or in a single data center. Instead, copies of the ledger are distributed around the globe via a network of private computers that both store data and execute computations. Each of these computers represents a “node” of that Blockchain’s network and has a copy of the ledger file.

Picture it as a spreadsheet that is duplicated thousands of times across a network of computers. This network is designed to regularly update and reconcile that spreadsheet, instantly updating it on multiple locations.

Blockchain’s decentralization – the fact that its operations take place across a network of thousands of independently owned computers – accounts for two of its unique qualities:

1. **Cybersecurity:** Whereas a ledger or database at a bank or corporation presents a single point of failure in cybersecurity – because a hacker need only gain access to one location – Blockchain is incredibly difficult to hack because it would require hacking thousands of computers at the same time.
2. **Trust:** Whereas a bank’s ledger requires customers to trust the bank (and its employees), Blockchain’s distributed network does not require users to trust a particular company or person. Thus, this distributed approach is often called “trustless.”

### **Early Blockchain Adoption: Supply Chain Management**

Before considering Blockchain’s future implications for intellectual property, it is helpful to look at some of the early applications of Blockchain for supply chain management. Just as Blockchain is used to track transfers of virtual currency in a way that provides transparency via the Internet, it has been adapted to track tangible assets as well. For example, a company called Everledger has used Blockchain to create a database of diamonds, to ensure that they are not being used to fund violent conflicts.

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Maersk, the global container shipping company, and IBM have developed a Blockchain-enabled shipping solution called TradeLens. TradeLens empowers multiple trading partners to collaborate by establishing a single shared view of a transaction without compromising details, privacy or confidentiality. Shippers, shipping lines, freight forwarders, port and terminal operators, inland transportation and customs authorities can interact more efficiently through real-time access to shipping data and shipping documents, including Internet-of-Things – devices capable of sending information to the internet – and sensor data ranging from temperature control to container weight to geolocational data.

TradeLens takes advantage of another Blockchain feature, smart contracts, that use computer code to help parties exchange money, property, or anything of value in a transparent, conflict-free way while avoiding the services of a middleman, much like a vending machine. TradeLens uses smart contracts in its documentation module allowing hand-offs between shippers to proceed seamlessly, preventing the tampering of documents so that once bills of lading are uploaded to the Blockchain, no one can go back and change them to cover, for example, for damaged or stolen goods.

The pharmaceutical industry has long been required by the Federal Drug Administration to maintain records of the sources of food and drugs, which enables recalls, among other things. The industry has also had to contend with a growing drug counterfeiting problem. To counter both challenges, the German multi-national Merck recently was granted a Blockchain patent in the United States for a system that combines artificial intelligence and Blockchain technology to establish the

authenticity of unique physical objects. Merck expects to use the technology to verify authenticity by tracking its drug products from the point of origin to their points of sale.

Tracking of tangible assets requires obtaining information from sensors on or near those objects, and great strides are being made in the field of miniaturized sensors or “anchors”. IBM is developing Blockchain-connected ultra-miniaturized cryptographic anchors, the size of a grain of salt, that can validate a product’s authenticity and communicate with a Blockchain (see [here](#)). For example, a crypto-anchor could be embedded in magnetic ink which could be used to die a prescription pill. The code could become active and visible from a drop of water letting a consumer know the pill is authentic and safe to swallow (the crypto-anchor itself would be safe to eat). Such crypto-anchor chips, expected to cost less than ten cents to manufacture, could have hundreds of thousands of transistors and be used to monitor, analyze, communicate and act on data. They are expected to be highly secure because they are embedded in the product and consist of cryptographic mechanisms that provide unclonable identification.

### **How Blockchain Might Be Applied To Intellectual Property**

The early supply chain uses of Blockchain illustrate possible uses of the technology for tracking digital and tangible intellectual property. Both share a concern for authentication, tracking of possession and efficient and transparent management. Physical items of art may be tracked on a Blockchain using authenticating sensors or crypto-anchors. Digital art can be authenticated by use of an algorithmic digital fingerprint which can serve as an indelible identifier, taking the place of a tracking chip.



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Blockchain has been discussed as a means to track intellectual property digital rights management and evidence of creatorship. A book author, for instance, could register the finished version of his book and have tamper-proof evidence of ownership. From that point forward, a Blockchain could be used to see the complete chain of ownership of all rights to the book, including any licenses, sub-licenses, and assignments. There has been a good deal of activity around developing smart contracts to enforce licensing agreements, allowing creators to set their own licensing terms and ensure they are being carried out, which would eliminate the middleman.

Some corporate joint ventures have begun to use Blockchain as a means to keep the record straight on what innovations were developed by which partners to the joint venture. Thus, Blockchain provides a reliable means to register new innovations or formulae developed by one company's team or another on a Blockchain in a way that reliably documents details of the discoveries and timestamps them to avoid future conflict.

There already are early Blockchain initiatives in the film and video industry, although not all have been successful. For example, during the summer of 2018, a company called TaTaTu raised \$575 million as a Blockchain token-powered, video-on-demand platform, which would provide a more appropriate venue for movies that are not mass-market. TaTaTu intends to build audiences, promote interaction between those audiences and the creators of the movies, and promote an ad-supported service that will share revenue with the viewers. The project has yet to take off, and despite the hype, the market capitalization of TaTaTu's tokens, called TTUs, went from a high of \$80 million in late August 2018 to under \$2 million in late

February 2019. While Blockchain for film and video is still developing, it is likely to find its various niches.

The registration of intellectual property, including proof of creation and rights ownership, are the most obvious uses for Blockchain. A host of Blockchain products have launched to register works of art, copyrighted audio or text. Blockchain registers works of art, creates a timestamp and serves as a proof of copyright. Other related products are offered by Stampery, Signatura, Proof of Existence, Vaultitude and Blocknotary, and open source or semi-open source initiatives have been launched including IP-Chain by Unity Labs, Openchain and Hyperledger by the Linux Foundation. Registration of intellectual property on a Blockchain need not make it public. The registration can be encrypted and thus kept private, nonetheless establishing its existence and possession at a specific time while also guaranteeing that the work has not been tampered with.

Government agencies overseeing intellectual property rights have taken interest in development of a recognized Blockchain registration technology, including the European Union Intellectual Property Office and the U.S. Chamber of Digital Commerce. Ideally, both national and international standards will be agreed upon, possibly resulting in a globally-recognized Blockchain platform for intellectual property registry.

All of this is likely to require adaptations in the intellectual property law arena. Courts and government authorities necessarily would need to accept new approaches to proof of IP ownership, including Blockchain timestamps and the management of digital rights through digital identifiers and

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fingerprints, crypto-anchors, and smart contracts.

Watch for the inevitable Blockchain developments in the intellectual property world over the coming months and years.

## **SCOTUS: No Copyright Registration, No Lawsuit**

Once an original work of authorship is fixed in tangible form, it receives copyright protection, but such fixation by itself does not allow the owner to sue for infringement. So, for instance, the recording of a song does not mean the owner can sue another artist who has copied it without permission. Before bringing an infringement lawsuit, a copyright owner must have registered the work with the Copyright Office.

But what constitutes “registration”? Until recently, there was a division among the courts on this point, with some holding that registration occurs when the owner files an application for registration and others holding that registration not occur until the Copyright Office takes action and registers the work. While this distinction may seem obscure or pedantic, it touches upon real-world concerns, as the Copyright Office can often take months to process an application – and the statute of limitations for copyright lawsuits is three years.

In *Fourth Estate Public Benefit Corporation. v. Wall-Street.com LLC*, the U.S. Supreme Court answered this question, unanimously holding that the Copyright Act prevents a copyright owner from filing an infringement lawsuit until the Copyright Office has registered the work. Fourth Estate had argued that, since registration is not a condition of copyright protection, the Copyright Act should not be read to bar a copyright owner from enforcing

that protection in court upon submitting an application. Additionally, it warned a copyright owner may lose the ability to enforce his or her rights if the statute of limitations runs out before the Copyright Office acts on the application. Chiming in were a host of major organizations, such as the Recording Industry Association of America, which argued the registration approach would leave authors in a “legal limbo,” and the American Bar Association, which contended the registration approach would have “an adverse impact on attorneys, their clients, and the judicial system.”

Justice Ginsburg, writing for the Court, found these concerns unfounded. First, she explained that the Copyright Act protects copyright owners regardless of their registration by vesting them with copyright protection upon fixation and “prohibiting infringement from that point forward.” Indeed, she reasoned, if infringement occurs before a copyright owner applies for registration, the owner can recover damages for past infringement, as long as he or she applies for registration and receives the Copyright Office’s decision before filing suit. Justice Ginsburg also brushed aside the statute of limitations concerns as “overstated,” noting the Copyright Office, on average, takes seven months to process an application, giving a copyright owner “ample time to sue” after the Office’s decision, “even for infringement that began before submission of an application.”

The decision reinforces the importance of registering works as soon as possible after completion. Apart from the right to bring an infringement action, there are other benefits of prompt registration. Statutory damages and attorneys’ fees are only available for registrations that are obtained prior to or

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within three months of publication of the work. Further, a certificate of registration is considered presumptive evidence of copyright validity if it is obtained within five years of a work's first publication. And one of the long-recognized benefits of registration is the creation of a clear public record of the copyrighted work. As stated by a group of legal scholars in an amicus brief supporting the registration approach, the registration requirement serves as "a screening mechanism that safeguards against the proliferation of unfounded assertions of copyright."

As part of her rationale, Justice Ginsburg noted that copyright owners can have their applications processed on an expedited basis by the Copyright Office. While expedited processing is not cheap (it costs \$800), the Copyright Office tries to act within five days on expedited applications. For more information concerning expedited processing, see the article titled "Special Handling Required" in the Winter 2019 issue of [iPHILLIPSNIZER](#).

In addition, an author of a work that is particularly vulnerable to pre-distribution infringement can apply for pre-registration, which will allow the author, after a limited review of the application by the Copyright Office, to immediately file an infringement action upon publication of the work. Pre-registration, while not a substitute for registration, can be used to protect works that are in the process of being prepared for commercial distribution, such as motion pictures and sound recordings.

Finally, even when a copyright owner is faced with an infringement of a work that has not been registered, the owner can take solace in the fact that – at least in the Second Circuit –

the statute of limitations for copyright actions is construed favorably for plaintiffs. In *Psihoyos v. Wiley & Sons*, the Second Circuit Court of Appeals held the three-year statute of limitations for copyright actions does not begin to run until the copyright owner discovers (or with due diligence should have discovered) that an infringement has occurred, and not when the infringement commenced. This rule can, at least in theory, allow claims that otherwise would be time-barred to proceed and thereby potentially blunt the impact of the *Fourth Estate* decision.

Nevertheless, as a result of the Supreme Court's ruling in *Fourth Estate*, it is clear – now more than ever – that copyright owners should register their works expeditiously.

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