

EXHIBIT G

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TAB 1

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H

Only the Westlaw citation is currently available.

United States District Court,
E.D. Michigan, Southern Division.
DAIMLERCHRYSLER SERVICES, Plaintiff,
v.
SUMMIT NATIONAL, Defendant.

No. 02-71871.
Jan. 26, 2006.

Jane D. Quasarano, Joseph J. Shannon, III, Bodman, Detroit, MI, Nicole R. Foley, Jaffe, Raitt, Southfield, MI, for Plaintiff.

Barbara L. Yong, Mathew J. Cozzi, Field & Golan, Chicago, IL, Robert D. Gordon, Clark Hill, Detroit, MI, Jonathan B. Frank, Jackier, Gould, Bloomfield Hills, MI, for Defendants.

SUPPLEMENTAL OPINION REGARDING DAMAGES PROOFS

EDMUNDS, J.

*1 In this Court's April 8, 2004, Order Denying DCS's ^{FN1} Motion for Summary Judgment, the Court discussed the potential damages in this case. The Court noted that if Summit proves a copyright infringement, it can recover "either actual damages plus any non-duplicative profits made by the infringer, or statutory damages." (Doc. 213.) These theories of damages are provided by 17 U.S.C. § 504(b) and § 504(c), respectively. The Court went on briefly to discuss Section 504(b) damages, and concluded by finding that summary judgment in favor of DCS was inappropriate. This Supplemental Opinion is intended to provide guidance for the parties as they prepare for trial. It addresses the two areas of damages under Section 504(b)-actual damages and profits. While it does not address any one particular motion, the discussion below supplements the Court's rulings on the parties' motions in limine, many of which touch upon or depend upon the following issues.

FN1. As in previous Court documents, Plaintiff DaimlerChrysler Services is referred to here as "DCS." Defendant Summit National, Inc., is referred to as "SNI."

I. Actual Damages

If successful in its copyright infringement action, SNI is entitled to recover from DCS "actual damages suffered by him or her as a result of the infringement..." 17 U.S.C. § 504(b). Professor Nimmer's copyright treatise points out an important limitation of this section of the Copyright Act, however: "[N]either its text nor the Committee Reports attempt to define the nature of those actual damages." Nimmer on Copyright § 14.02.

In the present case, DCS has admitted that ALAS was so critical to its business that without ALAS (or some suitable substitute), it would have had to shut down. SNI points out the obvious fact that ALAS was worth more to SNI than it was worth on the open market. Thus, SNI argues, actual damages should not be measured by the market value of ALAS, but should rather be measured by the value of ALAS to DCS.

DCS frames the issue differently. It contends that the actual damages computation should have nothing to do with the unique facts of this case, and that SNI's actual damages should be limited to what it reasonably would have charged for ALAS-in other words, fair market value. In DCS's words, SNI "is arguing that it had DaimlerChrysler over a barrel, and that this subjective factor should be taken into account in calculating its 'reasonable royalty.'" (Doc. 296 at 27.)

The Court is satisfied that DCS's description of actual damages is most consistent with the purposes of the Copyright Act and the case law interpreting it. In one leading case, the Second Circuit stated, "The question is not what the owner would have charged, but rather what is the fair market value." *Davis v. The Gap, Inc.*, 246 F.3d 152, 166 (2d

Cir.2001). In another, the Seventh Circuit described the appropriate inquiry as “the amount a willing buyer would have been reasonably required to pay a willing seller at the time of the infringement for the use....” *McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 569 (7th Cir.2003).

*2 Neither of these formulations permit the sort of actual damages recovery SNI now seeks. The Court holds that SNI may not rely on its own subjective estimate as to the price it would have charged DCS given DCS's predicament. To recover actual damages, SNI must introduce evidence of the fair market value of ALAS at the time of the infringement. In other words, “the amount a willing buyer would have been reasonably required to pay....” *McRoberts Software*, 329 F.3d at 569 (emphasis added).

II. Profits

In addition to actual damages, Section 504(b) provides that SNI may recover “any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages.” 17 U.S.C. § 504(b). The Copyright Act goes on to describe a burden-shifting analysis:

In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

Id.

SNI relies on this language for the proposition that it needs only to allege DCS's gross revenue, and that the burden then shifts to DCS to show what portions of revenue are not attributable to the alleged copyright infringement. SNI fails to recognize, however, that what sets this case apart from most typical Section 504(b) damages questions is that DCS is not alleged to have sold the infringing product. Rather, DCS is only alleged to have used ALAS to make money through other means-

namely, automobile financing. In other words, any profits attributable to DCS's alleged infringement are *indirect* profits.

SNI relies largely on *McRoberts Software*, in which the court upheld a large damages award against the defendant, applying the straightforward burden-shifting analysis for profits damages. 329 F.3d at 568-69. But while SNI describes *McRoberts* as a “recent decision in the computer software area” (Doc. 297 at 19), it fails to mention that the defendant in that case had sold the infringed software itself. *Id.* at 562-63. *McRoberts* does not address the precise issue of indirect profits.

SNI also relies on *Stenograph L.L.C. v. Bossard Associates, Inc.*, 144 F.3d 96 (D.C.Cir.1998), a case in which the defendant had used the plaintiff's transcription software without license. *Id.* at 97. On appeal, the court held that the profits awarded were appropriate, based on the following discussion: “The amount ... presumably represents Bossard Associates' total revenues ... minus an estimation of expenses related to the use of [different, non-infringing] software.... [A]fter Stenograph introduced the statement containing Bossard Associates' gross revenues for the relevant time period ..., the burden shifted to Bossard under 17 U.S.C. § 504(b)....” *Id.* at 103.

Indeed, *Stenograph* supports SNI's position. But the court makes no mention of the precise issue now facing this Court: Whether *all* of the defendant's profits are “attributable to the infringement,” 17 U.S.C. § 504(b), merely because the plaintiff's software was an essential component of a larger profit-generating process. The reasoning as to indirect profits in *Stenograph* is unpersuasive.

*3 The most persuasive case that SNI cites is *Andreas v. Volkswagen of America*, 336 F.3d 789 (8th Cir.2003), in which the defendant wrongfully used the plaintiff's artwork in a television commercial for the Audi TT coupe. The court recognized that the profits generated by sales of the TT coupe were not entirely attributable to the commercial

alone, much less role played by the plaintiff's artwork. *Id.* at 797. Nevertheless, the court held that whether profits are "indirect" as opposed to "direct" is beyond the concern of Section 504(b):

Although cases distinguish between direct and indirect profits, the statute does not. We agree that in an indirect profits case the profits "attributable" to the infringement are more difficult to quantify. But that difficulty does not change the burden of proof established by the statute. The burden of establishing that profits are attributable to the infringed work often gets confused with the burden of apportioning profits between various factors contributing to the profits.... The nexus requirement exists in both direct and indirect profits cases.... Once that nexus is established in either a direct or indirect profits case, if "an infringer's profits are attributable to factors in addition to use of plaintiff's work, an apportionment of profits is proper. The burden of proving apportionment (i.e., the contribution to profits of elements other than the infringed property), is the defendant's."

Id. at 796 (internal citations omitted).

DCS urges the Court to take a different approach, arguing that although it could not likely have carried on business without ALAS (or some suitable substitute), it does not follow that every cent of profit DCS generated was attributable to ALAS. Its analogy is helpful in this respect: DCS could not operate without its toilets either, but that does not mean that all of its profits are attributable to commodes.

DCS cites (among other cases) *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 271 F.Supp.2d 737 (D.Md.2003), a factually analogous case. There, the defendant had wrongfully used the plaintiff's stock reports to give advice to its own customers. *Id.* at 751. The court reasoned,

In the case of "direct profits," such as result from the sale or performance of copyrighted material,

the nexus is obvious. In the case of "indirect profits," the nexus may be too attenuated. The court "must conduct a threshold inquiry into whether there is a legally sufficient causal link between the infringement and the subsequent indirect profits." It may deny recovery if the profits "are only remotely or speculatively attributable to the infringement."

Id. Applying the facts before it, the court denied the plaintiff's claim for profits as too speculative:

Although it seems that some of [the defendant's] profits "should" relate to its infringing use of [the plaintiff's] Reports, the appearance defies reason.... [The plaintiff] has articulated no more than a speculative correlation. It is utterly implausible that all of [the defendant's] profits resulted from its infringing use of the Reports.

*4 *Id.* at 752.

The same analysis was followed in what appears to be the only case out of this Court to address the issue of indirect profits. In *Rainey v. Wayne State University*, 26 F.Supp.2d 963 (E.D.Mich.1998), the defendant wrongfully used plaintiff's design in its advertising brochures. The Court pointed out that profits damages "must be based on credible evidence, not speculation," and that "in cases where profits cannot be traced only to the infringing work but rather to a complex income stream, courts have required that plaintiff introduce detailed evidence linking gross revenues to the infringement." *Id.* at 971-72. The court held that because the plaintiff "failed to submit any credible evidence from which the fact finder could apportion profits attributable to the infringement," an award of the defendant's profits was inappropriate. *Id.* at 972.

The Court recognizes the difficulty with reconciling the above approaches. The Court also recognizes that the text of Section 405(b) offers limited guidance. But while the statute does not explicitly mention "indirect profits," it very clearly requires

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that recoverable profits be “attributable to the infringement.” 17 U.S.C. § 405(b). In the absence of direct mandatory authority, the Court is persuaded by those cases placing a heightened initial burden on the copyright holder where profits are indirect.

To recover DCS's profits as provided by Section 504(b), SNI must do more than merely point to DCS's balance sheet. To meet its initial burden, SNI must “establish[] a causal nexus between the infringing conduct and the infringer's gross revenue.” *Lowry's Reports*, 271 F.Supp.2d at 751 (citing *Walker v. Forbes, Inc.*, 28 F.3d 409, 412 (4th Cir.1994); *Mackie v. Rieser*, 296 F.3d 909, 915 (9th Cir.2002); *On Davis v. The Gap, Inc.*, 246 F.3d 152, 160 (2d Cir.2001)). Clearly, DCS's entire gross revenue is not attributable to ALAS source code. It is therefore incumbent upon SNI to make a threshold showing of the nexus between DCS and those profits generated by the infringement of ALAS.

HEMEYER, J.

I hereby certify that a copy of the foregoing document was served upon counsel of record on January 26, 2006, by electronic and/or ordinary mail.

E.D.Mich.,2006.

DaimlerChrysler Services v. Summit Nat.

Not Reported in F.Supp.2d, 2006 WL 208787
(E.D.Mich.)

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TAB 2

Slip Copy, 2010 WL 5022466 (N.D.Cal.)
(Cite as: 2010 WL 5022466 (N.D.Cal.))

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Only the Westlaw citation is currently available.

United States District Court,
N.D. California.
Eric R. DREW, Plaintiff,
v.
EQUIFAX INFORMATION SERVICES, LLC, De-
fendant.

No. C 07-00726 SI.
Dec. 3, 2010.

John Bradford Keating, Attorney at Law, Wood-
side, CA, for Plaintiff.

John Anthony Love, Andrew Valli, Keasha Ann
Broussard, Sidney Stewart Haskins, II, King &
Spalding LLP, Atlanta, GA, Thomas P. Quinn,
Nokes & Quinn, Laguna Beach, CA, for Defendant.

**ORDER DENYING DEFENDANT'S RE-
NEWED MOTION FOR JUDGMENT AS A
MATTER OF LAW AND ALTERNATIVE MO-
TION FOR A NEW TRIAL**

SUSAN ILLSTON, District Judge.

*1 On November 12, 2010, the Court heard ar-
gument on defendant Equifax Information Services
LLC's renewed motion for judgment as a matter of
law or, in the alternative, motion for new trial. Hav-
ing considered the arguments of counsel and the pa-
pers submitted, the Court hereby DENIES defend-
ant's motion.

BACKGROUND

Plaintiff Eric Drew is a cancer survivor whose
identity was stolen while he was undergoing treat-
ment in Seattle in late 2003. The instant case arises
from fraudulent credit accounts opened by the iden-
tity thief. In his initial complaint, plaintiff named as
defendants three banks and three credit reporting
agencies. The only defendant remaining in the case
is Equifax Information Services, LLC ("Equifax"),
one of the credit reporting agencies.

After going through eight months of intense
cancer treatment at Stanford University, plaintiff
was told that "that there wasn't anything else that
they could do but refer [him] to hospice care." TR
168:6-24. Plaintiff found and enrolled in an experi-
mental bone-marrow transplant program in Seattle
in September 2003. TR 170:19-171:12. In "late Oc-
tober, early November" plaintiff "started receiving
letters from financial institutions thanking [him] for
credit applications that [he] had submitted." TR
176:1-176:3. He had not submitted any. TR
176:3-176:4.

In December, before going through the bone-
marrow transplant, plaintiff called the police de-
partment in his hometown, Los Gatos, California,
to file a report. TR 182:20-182:23. In early January,
after completing treatment, plaintiff asked a friend
to order a credit report for him. TR 185:6-185:22.
Plaintiff discovered that multiple fraudulent ac-
counts had been opened in his name, with thou-
sands of dollars of balances, at an address in Seattle
that was not his. TR 186:6-186:10. (The parties
agree that three banks issued fraudulent credit cards
to the identity thief in plaintiff's name. Citibank is-
sued a Citibank card. Chase issued a Chase card
and a Bank One/First USA card. And FIA issued a
Fleet/Bank of America card. See Doc. 327 at 1-2.)

Plaintiff was convinced that a hospital employ-
ee had stolen his identity, and he feared for his life.
TR 188:4-188:7; TR 196:20-196:21. He called
news agencies, newspapers, the FBI, police, and
even the Mayor to ask for help. TR 195:19-195:25.
Eventually a local television station picked up the
story, and the publicity from the story helped
plaintiff track down the identity thief, Richard Gib-
son, a phlebotomist at the Cancer Center treating
plaintiff. TR 196:6-196:14, TR 201:6-203:5. At
plaintiff's urging, Mr. Gibson was eventually
charged with and convicted of criminal violation of
the Health Insurance Portability and Accountability
Act ("HIPAA"). TR 222:11-223:22; TR
223:11-223:14. It was the first HIPAA conviction

in the country. TR 223:13-223:14.

Plaintiff's cancer treatment in Seattle was also unsuccessful, and he was told that he needed to go to hospice. Again, however, plaintiff found and enrolled in an experimental program, this time one in Minnesota that would save his life. TR 204:16-204:19; 214:21-217:2.

*2 In addition to tracking down the identity thief and moving to a new hospital for a new treatment, plaintiff contacted the banks that had issued the credit cards in his name and the credit reporting agencies that reported the fraudulent accounts and incorrect address as belonging to plaintiff. The dispute in this case relates to plaintiff's contentions that for the next two years he was largely thwarted in his attempts to convince (1) the banks to stop reporting and making inquiries about the fraudulent accounts and (2) the credit reporting agencies to stop including the fraudulent accounts and incorrect address on plaintiff's credit reports. Plaintiff filed this action in San Francisco County Superior Court on December 18, 2006, alleging a number of state and federal claims against the banks and credit reporting agencies. The defendants removed to this Court on February 5, 2007.

By the time of trial, one defendant and one claim remained. Plaintiff alleged that defendant Equifax, one of the credit reporting agencies, willfully violated the Fair Credit Reporting Act ("FCRA"). Plaintiff argued that defendant failed properly to reinvestigate and thereafter accurately report the status of the disputed Bank of America card and disputed Seattle address in the manner required by FCRA, and failed to maintain reasonable procedures to do so.

At trial, Plaintiff testified about his attempts to contact defendant to report the identity theft and request a reinvestigation in 2004 and 2005, and the results of his requests. He called as supporting witnesses his mother Cynthia Kay Drew, his former wife Nicole Floor Drew, and his friend and former colleague Fred Kotrozo. Plaintiff's expert witness,

Evan Hendricks, testified not only as to the unreasonableness of defendant's reinvestigation procedures, but also as to the foreseeability of the problems that arose in this case. As part of his testimony, and over defendant's objection, Mr. Hendricks discussed a 1995 consent order between defendant and the Federal Trade Commission and a 1992 "Agreement of Assurances" between defendant and a number of states. Plaintiff also testified about significant psychological stress that he suffered due in part to defendant's FCRA violation, and he called two of his treating doctors, Drs. Spiegel and Gore-Felton, to testify as well. Plaintiff requested economic damages for money he spent on therapy and money he spent hiring an outside firm to pursue his reinvestigation requests with defendant. He also requested damages for emotional distress and punitive damages.

During the course of the trial it became clear that plaintiff was arguing that defendant had violated not only a number of FCRA requirements contained in subsections of 15 U.S.C. § 1681i, but also one contained in a subsection of 15 U.S.C. § 1681c-2. Although Section 1681c-2 was not specifically listed in the complaint, the Court determined in a written order that the operative facts in the complaint encompassed a claim under Section 1681c-2. The Court therefore permitted plaintiff to pursue its FCRA claim based on both sections of the statute. *See* Doc. 436.

*3 Throughout the trial, the Court permitted plaintiff to present evidence that he suffered economic losses as a result of defendant's actions in relation to two investment properties in Chico that plaintiff had considered buying. Ultimately, the Court determined that defendant had presented insufficient evidence of economic loss related to the Chico properties and instructed the jury that it could not award economic damages in connection with them. TR 1283:19-1283:21.

After a nine day trial, the jury returned a verdict finding defendant liable for willfully violating FCRA. Doc. 446 at 1. The jury awarded plaintiff

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\$6,326.69 in economic damages, \$315,000 in non-economic compensatory damages, and \$700,000 in punitive damages.

Currently before the Court is defendant's renewed motion for judgment as a matter of law ("JMOL") or, in the alternative, motion for new trial.

LEGAL STANDARD

I. Renewed Motion for Judgment as a Matter of Law

Federal Rule of Civil Procedure 50(b) provides:

If the court does not grant a motion for judgment as a matter of law made under Rule 50(a), the court is considered to have submitted the action to the jury subject to the court's later deciding the legal questions raised by the motion. No later than 10 days after the entry of judgment ... the movant may file a renewed motion for judgment as a matter of law and may include an alternative or joint request for a new trial under Rule 59. In ruling on the renewed motion, the court may: (1) allow judgment on the verdict, if the jury returned a verdict; (2) order a new trial; or (3) direct the entry of judgment as a matter of law.

Fed. R. Civ. Pro. 50(b). The party moving for judgment as a matter of law bears a heavy burden. Granting a renewed motion for judgment as a matter of law is proper when the evidence construed in the light most favorable to the non-moving party permits only one reasonable conclusion as to the verdict and that conclusion is contrary to the jury's verdict. *Air-Sea Forwarders, Inc. v. Air Asia Co.*, 880 F.2d 176, 181 (9th Cir.1989).

The question in a motion for judgment as a matter of law is whether there is substantial evidence to support the jury finding for the non-moving party. See *Johnson v. Paradise Valley Unified School Dist.*, 251 F.3d 1222, 1227 (9th Cir.2001); *Autohaus Brugger, Inc. v. Saab Motors, Inc.*, 567 F.2d 901, 909 (9th Cir.1978). In ruling on such a

motion, the trial court may not weigh the evidence or assess the credibility of witnesses in determining whether substantial evidence exists to support the verdict. See *Mosesian v. Peat, Marwick, Mitchell*, 727 F.2d 873, 877 (9th Cir.1984). Substantial evidence is more than a "mere scintilla." See *Consol. Edison Co. v. NLRB*, 305 U.S. 197, 229, 59 S.Ct. 206, 83 L.Ed. 126 (1938); *Chisholm Bris. Farm Equip. Co. v. Int'l Harvester Co.*, 498 F.2d 1137, 1140 (9th Cir.1974). Rather, it is defined as "such relevant evidence as reasonable minds might accept as adequate to support a conclusion even if it is possible to draw two inconsistent conclusions from the evidence." *Landes Constr. Co. v. Royal Bank of Canada*, 833 F.2d 1365, 1371 (9th Cir.1987).

II. Remittance

*4 The Ninth Circuit has held that a jury's finding on the amount of damages should be reversed only if the amount is "grossly excessive or monstrous," *Zhang v. American Gem Seafoods, Inc.*, 339 F.3d 1020, 1040 (9th Cir.2003), or if the amount is "clearly unsupported by the evidence" or "shocking to the conscience," *Brady v. Gebbie*, 859 F.2d 1543, 1557 (9th Cir.1988). In making this determination, the Court must focus on evidence of the qualitative harm suffered by plaintiff. The same consideration applies to emotional distress damages. "The severity or pervasiveness of the conduct is relevant insofar as it provides probative evidence from which a jury may infer the nature and degree of emotional injury suffered, but direct evidence of the injury is still the primary proof." *Velez v. Roche*, 335 F.Supp.2d 1022, 1038 (N.D.Cal.2004); see also *Passantino v. Johnson & Johnson Consumer Prods., Inc.*, 212 F.3d 493, 513-14 (9th Cir.2000) (focusing on evidence of harm suffered by the plaintiff, such as anxiety and rashes).

III. Motion for a New Trial

Federal Rule of Civil Procedure 59(a) states, "A new trial may be granted ... in an action in which there has been a trial by jury, for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United

States.” *Fed.R.Civ.P. 59(a)(1)*. As the Ninth Circuit has noted, “Rule 59 does not specify the grounds on which a motion for a new trial may be granted.” *Zhang*, 339 F.3d at 1035. Instead, the court is “bound by those grounds that have been historically recognized.” *Id.* “Historically recognized grounds include, but are not limited to, claims ‘that the verdict is against the weight of the evidence, that the damages are excessive, or that, for other reasons, the trial was not fair to the party moving.’ ” *Molski v. M.J. Cable, Inc.*, 481 F.3d 724, 728 (9th Cir.2007) (quoting *Montgomery Ward & Co. v. Duncan*, 311 U.S. 243, 251, 61 S.Ct. 189, 85 L.Ed. 147 (1940)). The Ninth Circuit has held that “[t]he trial court may grant a new trial only if the verdict is contrary to the clear weight of the evidence, is based upon false or perjurious evidence, or to prevent a miscarriage of justice.” *Passantino*, 212 F.3d at 510 n. 15.

DISCUSSION

I. JMOL regarding liability

Defendant argues that JMOL should be entered in its favor with respect to three different aspects of plaintiff’s claim. First, it argues that JMOL should be entered regarding three of the four fraudulently issued credit cards: the First USA/Bank One card; the Chase card; and the Citibank card. Second, it argues that JMOL should be entered on plaintiff’s FCRA claims made under three subsections of FCRA: 1681i(a)(5)(B), 1681i(a)(5)(c), and 1681(a)(6). Third, it argues that JMOL should be entered on the willfulness question, which would mean that plaintiff would not be entitled to punitive damages. See 15 U.S.C. § 1681n(a)(1)(2).

A. The three cards and the three claims

*5 Plaintiff argues, correctly, that JMOL is inappropriate where any bases for liability remain. This case proceeded to trial on a single FCRA claim. Although the Court instructed the jury regarding a variety of FCRA provisions that could give rise to liability, plaintiff made a single FCRA claim and the verdict form asked for a single finding as to whether defendant violated FCRA will-

fully, negligently, or not at all. See Doc. 446. Defendant concedes that plaintiffs presented sufficient evidence at trial to support the jury’s verdict, at least with regard to negligent violation of FCRA. Therefore, defendant is not entitled to the entry of a verdict in its favor. ^{FN1}

FN1. To the extent that defendant believes that it is entitled to a new trial, the three cards and three claims are discussed in more detail below.

B. Willful violation of FCRA and punitive damages

Defendant argues more narrowly that it is entitled to JMOL on the question of willfulness and, therefore, punitive damages.

“Any person who willfully fails to comply with any requirement imposed [by FCRA] with respect to any consumer is liable to that consumer [for] ... punitive damages.” 15 U.S.C. § 1681n(a)(1) (2). “[R]eckless disregard of a requirement of FCRA would qualify as a willful violation within the meaning of § 1681n(a).” *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 71, 127 S.Ct. 2201, 167 L.Ed.2d 1045 (2007).

Defendant argues that it did not act recklessly. Defendant acknowledges, for example, that its response to plaintiff’s April 2005 dispute of the Bank of America card was erroneously to show that the account had been closed with zero balance. But it argues that this error posed little risk of damage to plaintiff or his credit rating, and in fact did not result in any denial of credit. Defendant argues that the risk of harm was decreased further when it removed the card entirely from the report two months after receiving a police report from plaintiff.

Defendant’s position seems to arise out of the *Safeco* Court’s discussion of recklessness. The *Safeco* Court explained that recklessness generally is an “action entailing an unjustifiably high risk of harm that is either known or so obvious that it should be known.” *Id.* at 68 (internal quotation

marks omitted). Defendant reads this to require that a plaintiff consumer show that a credit reporting agency risked harming the plaintiff consumer economically before being entitled to punitive damages. As the rest of *Safeco* makes clear, however, FCRA is concerned with whether the defendant ran an unjustifiably high risk of *violating the law*. See *id.* at 69 (“Thus, a company subject to FCRA does not act in reckless disregard of it unless the action is not only a violation under a reasonable reading of the statute’s terms, but shows that the company ran a risk of violating the law substantially greater than the risk associated with a reading that was merely careless.”).

Plaintiff presented sufficient evidence for a reasonable jury to find that defendant ran an unjustifiably high risk of violating FCRA. Plaintiff’s expert, Evan Hendricks, testified regarding the reasonableness of defendant’s reinvestigation procedures. He testified that defendant’s violation of FCRA was foreseeable. See TR 620:18-624:20. In particular, he testified that defendant had long had a policy of deferring to the reporting bank rather than performing independent investigations of consumer disputes. TR 593:11-593:22.^{FN2} He testified that defendant was on notice regarding the possible problems with this method of reinvestigation, particularly where the consumer dispute stems from confusion over the identity of the person utilizing credit rather than confusion over the fact of or timing of payments. TR 621:5-621:15 (discussing defendant’s earlier problems preventing mixed files—“when information on Consumer B was mixed into the file of Consumer A”—and problems reaching “timely resolution” through the “reinvestigation process”).

^{FN2}. Defendant argues in its reply that it presented evidence demonstrating that its investigative procedures go beyond the mere “parroting” described by Mr. Hendricks. Defendant’s evidence regarding what other procedures it may utilize to combat identity theft does not compel the

Court to conclude that the jury’s verdict is wrong.

*6 Moreover, Mr. Hendricks testified that defendant long ago acknowledged these problems when it entered into agreements with the FTC and several states about reinvestigation of mixed files. TR 620:20-621:4, 621:16-621:24. And while Mr. Hendricks agreed that identity theft was not a problem at the time of the FTC order and the Agreement of Assurances, he also testified that defendant faces the same general problems with reinvestigating mixed files and identity theft because in both instances the reporting banks are confused about identity. Mr. Hendricks concluded his direct examination by saying the following:

Everything in my experience, including other cases I’ve worked and the history I’ve talked about and what we see here, leads me to the inescapable opinion that Equifax is very satisfied with the way its system works. It’s made a calculation that it’s the right thing for it to do. And it has no intention of making the changes that I think are necessary to avoid the kind of problems that happened to Mr. Drew.

TR 624:14-624:20.

Defendant objects to the admissibility of the FTC and state Agreement of Assurances documents, and to Mr. Hendricks’s testimony regarding them. Defendant argues that the documents are irrelevant, since they relate to mixed files and not identity theft, and because they predate any serious problems with identity theft. As discussed above, however, Mr. Hendricks’s testimony explained why mixed files and identity theft present problems that are similarly difficult to resolve for a credit reporting agency. See TR 621:5-621:15. This shows that the documents are, in fact, relevant to the question of foreseeability and thus the question of willfulness.^{FN3}

^{FN3}. In its reply brief, defendant argues that the documents are inadmissible under

[Federal Rule of Evidence 408](#). Defendant did not raise this objection in its motion in limine, in its oral objection at trial, or in its opening brief, and the Court considers it waived. *See* Doc. 395 at 12-13; TR 618:1-620:5.

Even if the agreements themselves (and Mr. Hendricks's testimony regarding them) were not admissible, the logic of Mr. Hendricks's conclusion would be supported by his expertise and the record. A reasonable jury could determine that a credit reporting agency runs an unjustifiable risk of violating FCRA's reinvestigation requirement when it asks a bank to reconfirm the existence of a challenged account simply by asking the bank to reconfirm the account, without even indicating that the consumer has reported that his identity was stolen. Such a conclusion would be particularly reasonable in this case, where fraud alerts were placed on the account and other credit cards had been deleted. [FN4](#)

[FN4](#). Defendant also argues that evidence regarding its handling of the other three cards should not have been admitted, and had it not been admitted, no reasonable jury would have found its handling of the Bank of America card to be a willful FCRA violation. The Court disagrees. Assuming that defendant objected to the mention of the three cards at trial, and assuming that the any discussion of the cards was improper, defendant still was not prejudiced. Defendant relied on its arguably proper handling problems with the three cards as evidence that its complaint system and reinvestigation process are reasonable and effective. *E.g.* TR 1334:21-1335:2 (“It worked exactly the way it's supposed to work.”).

Defendant is not entitled to JMOL on the question of willfulness.

II. Challenges to damages

A. Due process and punitive damages amount

Defendant argues that even if it is not entitled to JMOL on the questions of liability or willfulness, the actual amount of punitive damages in this case is so excessive as to violate defendant's right to due process.

“The Constitution imposes certain limits, in respect both to procedures for awarding punitive damages and to amounts forbidden as ‘grossly excessive.’ ” *Philip Morris USA v. Williams*, 549 U.S. 346, 353, 127 S.Ct. 1057, 166 L.Ed.2d 940 (2007). No “simple mathematical formula” exists in this area. *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 582, 116 S.Ct. 1589, 134 L.Ed.2d 809 (1996). Nevertheless, the Supreme Court has pointed to three guideposts: “(1) the degree of reprehensibility of the defendant's misconduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages award; and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases.” *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 418, 123 S.Ct. 1513, 155 L.Ed.2d 585 (2003). “In considering them,” the Ninth Circuit has explained, a court's “goal is to determine whether the punitive damages achieved their ultimate objectives of deterrence and punishment, without being unreasonable or disproportionate.” *Southern Union Co. v. Irvin*, 563 F.3d 788, 791 (9th Cir.2009).

*7 Defendant argues that its conduct was not reprehensible, because it did not threaten or cause physical harm to plaintiff or others, or otherwise act with intentional malice, trickery, or deceit. It argues that the punitive damages are excessive in light of the compensatory damages, because the compensatory damages provided plaintiff with complete compensation, especially considering the brief period of time of any FCRA violation. Finally, it argues that the award far exceeds civil penalties that would be available if the Federal Trade Commissioner brought suit against defendant for engaging in unfair or deceptive practices under the Federal Trade

Commission Act.

calculating punitive damages.

1. Reprehensibility

Courts are “to determine the reprehensibility of a defendant by considering whether:

the harm caused was physical as opposed to economic; the tortious conduct evinced an indifference to or a reckless disregard of the health or safety of others; the target of the conduct had financial vulnerability; the conduct involved repeated actions or was an isolated incident; and the harm was the result of intentional malice, trickery, or deceit, or mere accident.

Campbell, 538 U.S. at 419. “[R]epeated misconduct is more reprehensible than an individual instance of malfeasance.” *Gore*, 517 U.S. at 577.

Mr. Hendricks testified that defendant's violation of FCRA was the result of a policy chosen after a careful cost benefit analysis, with full knowledge of the risks to those seeking credit. TR 624:14-624:20.^{FN5} Plaintiff and Drs. Spiegel and Gore-Felton all testified that plaintiff suffered serious psychological harm from the credit reporting issues. TR 375:22-377:17; TR 392:22; TR 427:17-427:25; TR 454:8-454:12; TR 233:18-235:10. Although “targeted” might be too strong a word to use, plaintiff does fall squarely within the class of individual consumers that defendant knowingly puts at risk with its reinvestigation policies.

^{FN5}. Defendant argues that it is being punished for earlier, dissimilar acts that were the subject of the FTC order and the Agreement of Assurances about which Mr. Hendricks testified. Any danger that defendant was punished for the actions that were subject to the FTC order and the Agreement of Assurances is outweighed by the relevance of the documents and Mr. Hendricks's testimony to the question of foreseeability and thus willfulness, which are properly considered by a jury when

The evidence strongly supports a finding that the harm plaintiff suffered was not the result of mere accident. Plaintiff testified that, while he was away from home being treated for near fatal cancer, he singlehandedly caught the individual who had stolen his identity even though the police and hospital personnel had not believed him or wanted to help him. TR 180:7-180:10; 182:14-193:1; 195:19-197:8; 201:15-202:8; 203:16-203:22; 917:19-919:5. When he was told to go to hospice for the second time, he instead found a hospital to provide him with an experimental treatment that saved his life. TR 204:16-204:19; 214:21-217:2. When he finally recovered from his cancer and discovered that the state prosecution of the identity thief had not proceeded, he convinced the federal authorities to commence an unprecedented criminal HIPAA prosecution. TR 222:6-223:14. But he couldn't navigate the system that defendant had set up to correct his credit report.^{FN6}

^{FN6}. Additionally, as the Third Circuit has explained, there is “nothing wrong with a jury focusing on a defendant's seeming insensitivity in deciding how much to award as punitive damages.” *Cortez v. Trans Union, LLC*, 617 F.3d 688, 718 n. 37 (3d Cir.2010) (internal quotation marks omitted). Defendant argued to the jury that its system generally “worked perfectly.” TR 1335:8-1335:9. It blamed Bank of America for providing them with incorrect information. *E.g.* TR 1341:24-1342:3. It also blamed plaintiff for failing to communicate the exact details of the problems. *E.g.* TR 1338:8-1338:17. This last defense was perhaps the most difficult for a jury to accept.

2. Actual or potential harm suffered versus punitive damages

*8 The second guidepost as to whether a punitive damages award violates a defendant's due process rights is whether the award is disproportionate to the actual or potential harm suffered by the

plaintiff. One way that courts address this question is by comparing punitive and compensatory damage awards. Although the Supreme Court has hesitated to lay down any bright line rules, it has hinted that a single-digit ratio between punitive and compensatory damages is most likely to satisfy due process. See *Campbell*, 538 U.S. at 424-25.

Defendant argues that the compensatory damages compensated plaintiff completely, and therefore that the punitive damages award should have been at or near the amount of compensatory damages, rather slightly more than double the amount. Defendant's argument takes a quote from *Campbell* out of context. After considering *all* of the guideposts, not merely this second guidepost, the *Campbell* Court concluded that the facts of the case "likely would justify a punitive damages award at or near the amount of compensatory damages." *Id.* at 429. Moreover, the phrase "at or near" was intended to contrast with the overturned punitive damages award, which was 145 times higher than the compensatory damages award. See *id.* at 426. In this case, the ratio of punitive damages to compensatory damages is close to 2:1, which falls well within the case's single-digit rule of thumb. Although the *Campbell* Court noted that the compensatory damages in that case had compensated plaintiff in full, there is no reason to think that *Campbell* stands for the proposition that anytime a compensatory damages award fully compensates a plaintiff then the punitive damages cannot exceed the compensatory damages.

3. Difference between punitive damages and available civil remedies

"Comparing the punitive damages award and the civil or criminal penalties that could be imposed for comparable misconduct provides a third indicium of excessiveness." *Gore*, 517 U.S. at 583. Defendant argues that the Federal Trade Commissioner can obtain \$10,000 per FCRA violation by suing under the Federal Trade Commission Act, and that the punitive damages award in this case is clearly excessive in light of that small number.

Plaintiff points to Third, Fourth, and Sixth Circuit opinions that have all held that this factor is not particularly useful to the due process analysis in a FCRA case. See *Cortez*, 617 F.3d at 724 (explaining that "there is no 'truly comparable' civil penalty to a FCRA punitive damages award"); *Saunders v. Branch Banking & Tr. Co. of VA*, 526 F.3d 142, 152 (4th Cir.2008) (concluding that Congress specifically chose not to limit punitive damages); *Bach v. First Union Nat'l Bank*, 486 F.3d 150, 154 n. 1 (6th Cir.2007) (noting that FCRA does not limit compensatory damage awards in suits brought by private citizens). The Ninth Circuit has not considered the question.

The Court agrees with plaintiff and the appellate courts. As the Fourth Circuit explained, "Although FCRA does place limits on civil penalties when suit is brought by the government, Congress specifically chose not to limit punitive damages in suits brought by private parties. *Saunders*, 526 F.3d at 152 (internal citations omitted).

*9 The \$700,000 punitive damages award in this case does not violate defendant's due process rights.

B. Remittance of damages awards

Defendant also argues that the compensatory and punitive damages awards are excessive and should be remitted to \$200,000 and \$50,000 respectively.^{FN7}

^{FN7}. In the heading of its argument regarding compensatory damages, defendant states that a new trial should be granted. Defendant states that a new punitive damages trial should be granted as well. But the defendant's substantive arguments all focus on remittitur. To the extent that defendant does, in fact, seek a new trial on damages and not merely a new trial nisi remittitur, the Court denies defendant's request for the same reasons that it denies remittitur.

1. Remittance of compensatory damages

a. Non-economic damages

Defendant argues that the weight of the evidence does not support a large award of emotional distress damages because defendant's role in any of plaintiff's suffering was minimal and there was only a short amount of time during which defendant could be found to have been neglectful. In support of its argument, defendant cites *Sloane v. Equifax Info. Servs. LLC*, 510 F.3d 495 (4th Cir.2007).

The defendant in *Sloane*, who is notably the defendant in this case as well, was chastised for taking a remittitur number "out of the air." *Id.* at 503. The *Sloane* court explained that "Not only is such an unprincipled approach intrinsically unsound, but it also directly contravenes the Seventh Amendment, which precludes an appellate court from replacing an award of compensatory damages with one of the court's own choosing." *Id.* Ultimately, in reliance on Fourth Circuit precedent that does not appear to have a corollary line of cases in the Ninth Circuit, the court remitted the emotional distress award slightly. *Id.* 506-07; *see also id.* (explaining that the Fourth Circuit reviews emotional distress awards by looking at a variety of very specific factors).

Here, defendant leaves the Court to speculate where its \$200,000 figure comes from. It does not explain why \$315,000 is shocking to the conscience or unsupported by the evidence while \$200,000 is a proper number.

More importantly, plaintiff has presented significant evidence of emotional distress that he suffered as the result of his unique circumstances. Plaintiff testified regarding his own anxiety, fear, sleeplessness, nightmares, and depression. TR 233:18-235:10. Dr. Spiegel, a specialist in psychological treatment of cancer patients at Stanford, testified that plaintiff was diagnosed with an adjustment disorder with anxious mood, and he confirmed a causal connection to defendant's FCRA vi-

olation. TR 375:22-377:17; TR 392:22; TR 427:17-427:25. Dr. Gore-Felton also related the psychological circumstances to the credit reporting problems. TR 454:8-454:12. Of particular relevance to the questions of causation and of the severity of the emotional distress damages is the following testimony from Dr. Spiegel:

Well, what happened in his case, and happens in many cases, is that if a ... problem you think was resolved is not, and it comes up again, or you face another threat, it does a couple of things. It triggers all of your network of memories and associations, as it did with Eric, to what happened the first time.

So it's like ... somebody who comes back from combat and has post-traumatic stress disorder, and then gets in a minor car accident, just a little fender-bender, and all the memories and feelings of the combat trauma start to come back.

*10 So in his case, the second frustration started to trigger his memories of what happened when his identity was fi[r]st stolen and what he had to do about it.

Secondly, the essence of stress like this is helplessness, that you don't feel you can do anything about it. Something is happening to your identity or your credit or something else, and there's nothing you can do about it. Things aren't going the way you want them to.

So he then did something rather out of the ordinary to do something about it. And that, I think, for a while made him feel more in control of his life and his future. And then you find out that it didn't work, that there's more trouble, you hadn't resolved it. So it tends to make you feel helpless. And that's when Eric thought he got it figured out, he did something unusual, and then he finds out that it didn't work.

So it adds to the sense of helplessness, which makes you anxious, instead of feeling that you

have mastered the stressor. And that's what happened to him.

TR 386:3-387:6.

The non-economic portion of the compensatory damages award is supported by the evidence and is not grossly excessive, monstrous, or shocking to the conscience.

b. Economic damages

Defendant also argues that the economic damages award is unsupported because of a problem with plaintiff's evidence. Defendant argues that plaintiff should not have been permitted to introduce medical bills and expenses from Dr. Saito-Perry, since Dr. Saito-Perry did not testify at trial and evidence of his treatment was hearsay. Without this evidence, defendant argues, plaintiff could not have proven that he was entitled to nearly \$6,000 in economic damages.

Defendant states that the bills themselves were admitted into evidence and should not have been. Plaintiff states that they were stipulated to, and that in any event plaintiff authenticated the bills and testified as to the relationship between the bills and the FCRA violations.^{FN8} On this record, the Court does not find that the economic damages award were "clearly unsupported by the evidence." *Brady*, 859 F.2d at 1557.

^{FN8}. With respect to this claim, neither side cites to the record to demonstrate what evidence was admitted, where, how, over whose objection, and why.

2. Remittance of punitive damages

Defendant argues that the punitive damages award should be reduced to \$50,000. As with defendant's JMOL and due process arguments regarding the punitive damages award, defendant's remittance argument is based on the premise that the evidence, at most, shows a careless oversight for a single account during a short time period. For the reasons explained above, the Court disagrees with

defendant's characterization of the evidence and finds that the punitive damages award is supported by the evidence and is not grossly excessive, monstrous, or shocking to the conscience.

Defendant is not entitled to remittance of any of the damages awards.

III. Motion for a new trial

Defendant argues in the alternative that it is entitled to a new trial because the first trial was manifestly unfair for several reasons. The Court addresses each contention in turn.

A. Unsupported claims

*11 Defendant argues that it was prejudiced by the Court's failure to grant JMOL with respect to claims related to the First USA, Chase, and Citibank cards, and claims made under subsections 1681i(a)(5) (B), 1681i(a)(5)(c), and 1681i(a)(6) of FCRA.

1. The three cards

Defendant has pointed to no place where plaintiff argued to the jury that liability should be premised on actions relating to the First USA, Chase, and Citibank cards. In fact, plaintiff made clear in his opening statement that his claims related to the Bank of America card, *e.g.* TR 123:8-123:21, and plaintiff's case focused on his attempts to get defendant to reinvestigate the Bank of America report. To the extent that the other cards were mentioned during the course of the case, defendant clarified in its closing statement that they did not form the basis of plaintiff's liability argument. *See, e.g.* TR 1331:23-1331:24 (Bank One); TR 1335:5-1335:8 (Citibank); TR 1339:6 (Chase). Defendant was not prejudiced by the alleged presence of these claims in this case after defendant's JMOL motion was filed.

2. The three subsections

Subsection 1681i(a) (5)(B) states a variety of requirements relating to the reinsertion of previously deleted material. Subsection 1681i(a)(5)(c) requires a credit reporting agency to maintain reas-

onable procedures designed to prevent the re-appearance of deleted information in a consumer's file. Subsection 1681i(a)(6) requires a credit reporting agency to provide notice of the results of its re-investigation, and includes content and timing requirements.

Defendant argues that plaintiff presented no evidence that defendant violated any of these subsections, and that it was prejudiced because the jury was permitted to consider them even after defendant filed a JMOL motion. Plaintiff argues that defendant reinserted a previously deleted address without proper certification and then failed to notify plaintiff within five business days, as required by 15 U.S.C. § 1681i(a)(5)(B)(ii). Plaintiff argues that defendant's notice of the results of its reinvestigation contained false information, in violation of 15 U.S.C. § 1681i(a) (6).

Plaintiff cites to evidence that defendant deleted and then reinserted derogatory information regarding the Bank of America card and a notation that the Bank of America card was an open account, and that it deleted and reinserted the false Seattle address, without proper notice or certification. Defendant does not reply to plaintiff's argument to show how this is not sufficient evidence of a violation of 15 U.S.C. § 1681i(a)(5)(B)(ii) (and thus circumstantial evidence of a violation of subsection 1681i(a)(5) (C)'s requirement that defendant maintain reasonable procedures). Plaintiff cites to evidence that defendant misrepresented that it had deleted the fake address when in fact it had made the fake address into a former address, and that later it again misrepresented that it had deleted the fake address when it had not. Defendant does not reply to plaintiff's argument to show how this is not sufficient evidence of a violation of subsection 1681i(a) (6)'s notice requirement.

*12 In any event, even if these theories of liability were not properly before the jury after defendant filed its JMOL motion, defendant was not prejudiced. Had the motion been granted, it would have been too late to impact the presentation of evidence

in the case, and plaintiff did not focus on these subsections during closing argument. These were not independent, stand alone claims, but rather theories of liability. And the jury was instructed as to six other theories of liability, some of which were supported by fairly strong evidence of violation.

B. Chico properties

Defendant argues that the Court should have instructed the jury not to award any emotional distress damages in connections with plaintiff's attempt to buy investment properties in Chico.

At the close of evidence, the Court determined that plaintiff had not presented sufficient evidence that he suffered economic damages in relation to the Chico properties. Therefore, the Court instructed the jury that "Plaintiff is not making a claim for, and you should not award, monetary-loss damages related to the Chico real estate properties." TR 1283:19-1283:21. Defendant acknowledges that the Court instructed the jury not to award economic damages in relation to the Chico properties, but argues that the Court did not go far enough. Defendant argues that the Court should have instructed the jury that it could not award non-economic damages either.^{FN9} Defendant believes that it cannot be liable for emotional damages stemming from any denial of credit if it was not responsible for any denial of credit.

FN9. Defendant did make this argument at trial, TR 1049:1, though defendant did not object to the final instruction or ask that it be augmented, and in fact defendant highlighted it in its closing argument. TR 1345:7-1345:9 ("And as the Judge told you, and as Mr. Keating told you, Mr. Drew is not seeking any money related to those Chico properties or any aspect of those mortgages.").

Although economic damages can only be substantiated by evidence of actual economic harm, such as a denial of credit, non-economic damages need only be substantiated by evidence of emotion-

al distress suffered because of a violation of FCRA. No actual denial of credit is necessary. In this case, plaintiff testified about his anger and frustration at having to deal with continuing errors on his credit report when attempting to invest in real estate in Chico, which plaintiff said impacted his relationship with his then-fiancée, now former wife. TR 254:21-259:23. To the extent that any portion of the jury award was based on non-economic damages related to the Chico properties, plaintiff's testimony that he was angry and frustrated and that his romantic relationship was suffering because of his credit problems is sufficient to support the award, even if he never applied for a loan. ^{FN10}

^{FN10}. Defendant also argues that the only evidence that could possibly support an award are tri-merge documents, which are hearsay and cannot be used to prove the contents of plaintiff's Equifax file. But other evidence—such as plaintiff's testimony—shows that plaintiff's Equifax file contained erroneous information both before and after plaintiff considered investing in the Chico properties. The jury was free to deduce from that evidence and from plaintiff's testimony that his emotional distress damages were caused by defendant's FCRA violation.

C. FTC Consent Decree and Agreement of Assurances

Defendant again argues that Mr. Hendricks should not have been permitted to testify about the FTC consent decree or the Agreement of Assurances, because they did not support plaintiff's claim in any way. Defendant argues that it was prejudiced even at the liability stage by the introduction of this evidence and testimony. The Court addressed this argument above in the context of defendant's punitive damages argument, and it rejects defendant's liability argument for the same reasons.

D. Trans Union and Experian

*13 In the introduction to its request for a new trial, defendant argues that the Court admitted evi-

ence relating to Trans Union and Experian in order to prove defendant's liability in this case, contrary to the Court's own ruling on defendant's motion in limine. Defendant does not identify any such evidence. In the body of the motion, defendant argues generally that plaintiff testified regarding the results of the reinvestigations undertaken by Trans Union and Experian, although it does not identify any specific testimony. Defendant does not claim that it objected to the evidence or testimony; rather, it states simply that the jury should not have been allowed to use the results of Trans Union and Experian's reinvestigations as a yardstick for the reasonableness of defendant's reinvestigation. ^{FN11}

^{FN11}. As to this point, defendants provided no citations to the record.

The Court notes that defendant tried to deflect responsibility for plaintiff's emotional distress onto the banks and other credit reporting agencies. TR 428:25-429:9. In any event, to the extent that plaintiff testified that the other credit reporting agencies had resolved his complaints properly and timely, plaintiff's testimony was relevant to the question of damages.

E. Doctor Christopher Saito-Perry

Defendant argues that it was prejudiced by plaintiff's introduction of medical bills and expenses from Dr. Saito-Perry. As explained above, the Court does not find that defendant was prejudiced by this evidence.

F. Section 1681c-2 claim

Finally, defendant argues that the Court permitted plaintiff to amend his complaint mid-trial to state a claim under Section 1681c-2 of FCRA, and that this was improper. Defendant argues that the sole claim remaining in the case at the beginning of the trial was brought under Section 1681i (which relates to reinvestigation generally), and that plaintiff should not have been permitted to make a claim under Section 1681c-2 (which relates to identity theft in particular).

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[Section 1681c-2\(a\)](#) requires credit reporting agencies to “block the reporting of any information in the file of a consumer that the consumer identifies as information that resulted from an alleged identity theft, not later than 4 business days after the date of receipt by such agency of” certain documents from the consumer. By way of comparison, [Section 1681i](#) requires credit reporting agencies to take certain actions within 30 days of the receipt of a consumer dispute, and pertains to disputes that do not expressly arise from identity theft. Thus, a consumer dispute will trigger duties under either [Section 1681c-2\(a\)](#) or [Section 1681i](#), depending on whether it includes notice of identity theft.

The Court has already issued a written order explaining that the operative version of the complaint *already* encompassed a claim under [Section 1681c-2](#). Doc. 436. Plaintiff alleged in the complaint that he gave notice to defendant that certain information in his credit file was the result of identity theft and that defendant “failed to block” the fraudulent information. Am. Comp. ¶¶ 202-06. This is sufficient to state a claim under [Section 1681c-2\(a\)](#) even though plaintiff did not specifically name that section in the complaint. Thus, contrary to defendant’s argument at this juncture, the Court did not permit plaintiff to amend his complaint midtrial.

*14 Even if the Court technically did permit plaintiff to amend his complaint midtrial, such amendment was proper and non-prejudicial. [Federal Rule of Civil Procedure 15\(b\)\(1\)](#) provides that:

[i]f, at trial, a party objects that evidence is not within the issues raised in the pleadings, the court may permit the pleadings to be amended. The court should freely permit an amendment when doing so will aid in presenting the merits and the objecting party fails to satisfy the court that the evidence would prejudice that party’s action or defense on the merits. The court may grant a continuance to enable the objecting party to meet the evidence.

The Court has discovered practically no case law discussing [Rule 15\(b\)\(1\)](#) specifically.^{FN12} In one case discussing [Rule 15\(a\)](#), which concerns amendments before trial, the Fourth Circuit explained that amendment shortly before trial would be improper if “[t]he proof required to defend against this new claim would be of an entirely different character than the proof which the defendant had been led to believe would be necessary” or if the “[b]elated claims ... change the character of [the] litigation.” *Deasy v. Hill*, 833 F.2d 38, 42 (4th Cir.1987). In an unpublished opinion, the Fourth Circuit applied this reasoning to a 15(b)(1) ruling. See *Dank v. Shinseki*, 374 Fed.Appx. 396, *4 (4th Cir.2010). The Ninth Circuit held, in a slightly different context, that even a post-trial amendment is non-prejudicial where the objecting party “clearly understood that the issue ... was before the court.” *Galindo v. Stoodly Co.*, 793 F.2d 1502, 1513 (9th Cir.1986). And, in another slightly different context, the Ninth Circuit explained that granting a request for a continuance has the potential to cure any prejudice from what it called a “surprise pleading amendment.” See *Consolidated Data Terminals v. Applied Digital Data Systems, Inc.*, 708 F.2d 385, 396 (9th Cir.1983). Similarly, the Second Circuit has explained, while discussing [Rule 15](#)’s provisions about post-trial amendment, that “[g]enerally, introducing new claims for liability on the last day of trial will prejudice the defendant.” *Gussack Realty Co. v. Xerox Corp.*, 224 F.3d 85, 94 (2d Cir.2000).

FN12. [Rule 15\(b\)\(1\)](#) is the appropriate subsection to apply given the unique facts of this case. At trial on July 22, 2010, plaintiff attempted to introduce certain evidence in support of a claim under [15 U.S.C. § 1681c-2\(a\)](#). Equifax objected on the ground that this trial solely concerns a claim under [15 U.S.C. § 1681i](#). Plaintiff then moved to amend his complaint to add a claim under [§ 1681c-2\(a\)](#) in order to conform to the proof at trial, or alternatively to clarify that his existing complaint already

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includes a claim under § 1681c-2(a).

Defendant argues generally that it was prejudiced because it was not on notice of this claim, did not have the opportunity to conduct discovery on the claim, and did not have the opportunity to prepare its witnesses to defend against the claim. As the Court's previous order has explained, defendant was long on notice of the factual basis of plaintiff's claims. Defendant is familiar with the different requirements of FCRA. Moreover, the evidence developed and presented at trial with respect to the Section 1681c-2 claim was largely the same as that presented for the Section 1681i claim. Liability under each statute arises from the same dispute, with the only factual question as to which statute is triggered being whether the dispute resulted from an alleged identity theft. The issue arose on the fourth day of a nine day trial, and just before a three day break. Defendant did not request a continuance or ask for permission to call any new witnesses. The Court finds that defendant was not prejudiced by any midtrial amendment that may have occurred.

*15 Defendant also argues that FCRA's two year statute of limitations prevented plaintiff from asserting a Section 1681c-2 claim in 2010. Defendant's argument rests of the assumption that plaintiff was amending him complaint in 2010 rather than asserting the claim in his original complaint. Even if defendant's view of what happened is correct, the amendment does not violate the statute of limitations. The Section 1681c-2 claim undeniably arises from the same "conduct, transaction, or occurrence set out ... in the original pleading," and therefore any amendment adding a Section 1681c-2 claim relates back to the date of the original pleading. *See Fed.R.Civ.P. 15(c)(1)(B)*. Defendant identifies the alleged violation as occurring in the fall of 2005. This suit was filed in December 2006. There is no statute of limitations problem.^{FN13}

FN13. Defendant argues in the introduction to the section of its motion arguing for a new trial that it was prejudiced by the ad-

mission of certain other unspecified evidence over its objections. The defendant does not develop or even mention this argument in the body of the motion, and the Court considers it waived.

Defendant is not entitled to a new trial.

CONCLUSION

For the foregoing reasons and for good cause shown, the Court hereby DENIES defendant's renewed motion for JMOL and alternative motion for a new trial. (Doc. 464.)

IT IS SO ORDERED.

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 Drew v. Equifax Information Services, LLC
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END OF DOCUMENT

TAB 3

Slip Copy, 2010 WL 843760 (E.D.Cal.)
 (Cite as: 2010 WL 843760 (E.D.Cal.))

H

Only the Westlaw citation is currently available.

United States District Court,
 E.D. California.
 Manora EK, Petitioner,
 Mike McDONALD,^{FN1} v.
 Warden (A), High Desert
 State Prison, Respondent.

FN1. Mike McDonald, Warden (A), High Desert State Prison, is substituted for Tom Felker, Warden, High Desert State Prison. Fed.R.Civ.P. 25(d).

No. 2:08-cv-00962-JWS.
 March 9, 2010.

Mark David Greenberg, Law Office of Mark D. Greenberg, Oakland, CA, for Petitioner.

Brian G. Smiley, Attorney General's Office of the State of California, Department of Justice, Sacramento, CA, for Respondent.

MEMORANDUM DECISION

JOHN W. SEDWICK, District Judge.

*1 Petitioner Manora Ek, a state prisoner appearing though counsel, has filed a petition for habeas corpus relief under 28 U.S.C. § 2254. Ek is currently in the custody of the California Department of Corrections and Rehabilitation, incarcerated at the High Desert State Prison. Respondent has answered, and Ek has replied.

I. BACKGROUND/PRIOR PROCEEDINGS

Following a jury trial, Ek, along with two co-defendants, Hong Le and Khammay Keomanivong, were found guilty in the San Joaquin County Superior Court of first-degree murder (Cal.Penal Code § 187), with two special circumstances, discharging a firearm from a motor vehicle with the intent to inflict death (Cal.Penal Code § 190.2(a) (21)), being an active participant in a criminal street gang and

carrying out the murder to further the activities of the gang (Cal.Penal Code § 190.2(a)(22)), and six counts of attempted murder (Cal.Penal Code §§ 187, 664) against six identified ASW members. As to all of these counts, the jury found two firearm enhancements (Cal.Penal Code § 12022.53(c) and (d)), and a gang enhancement (Cal.Penal Code § 186.22(b)(1)). All defendants were also convicted of discharging a firearm from a motor vehicle (Cal.Penal Code § 12034(c)), with gun use (Cal.Penal Code § 12022.53(d)) and gang (Cal.Penal Code § 186.22(b)(1)) enhancements, and street terrorism (Cal.Penal Code § 186.22(a)). In addition, Ek was convicted of permitting another to shoot from a motor vehicle (Cal.Penal Code § 12034(b)). The trial court sentenced Ek to two prison terms of life without possibility of parole.

All three defendants timely appealed their convictions and sentences to the California Court of Appeal, Third District. As to defendants Keomanivong and Ek, the Court of Appeal found errors in sentencing and modified the sentences accordingly,^{FN2} and reversed Le's conviction in an unpublished reasoned decision.^{FN3} The California Supreme Court summarily denied review in a "postcard denial" without opinion or citation to authority on February 7, 2007. Ek did not seek collateral review in the California state courts. Ek timely filed his petition for relief in this court on May 5, 2008.

FN2. One of the life without possibility of parole sentences was vacated.

FN3. *People v. Le*, 2006 WL 2949021 (Cal.App. October 16, 2006).

II. GROUNDS RAISED/DEFENSES

In his petition Ek raises four grounds for relief: (1) trial court improperly restricted jury *voir dire*; (2) trial court failed to discharge a juror depriving him of a fair and impartial jury; (3) trial court erroneously instructed the jury on pretextual self-

defense (CALJIC No. 5.55); and prosecutorial misconduct in closing argument in misstating the proof beyond a reasonable doubt standard. Respondent contends the third ground is procedurally barred. Respondent raises no other affirmative defense. ^{FN4}

^{FN4.} See Rules-Section 2254 Cases, Rule 5(b).

III. STANDARD OF REVIEW

Under the Antiterrorism and Effective Death Penalty Act of 1996 (“AEDPA”), 28 U.S.C. § 2254(d), this court cannot grant relief unless the decision of the state court was “contrary to, or involved an unreasonable application of, clearly established Federal law, as determined by the Supreme Court of the United States” at the time the state court renders its decision or “was based on an unreasonable determination of the facts in light of the evidence presented in the State court proceeding.” ^{FN5} The Supreme Court has explained that “clearly established Federal law” in § 2254(d) (1) “refers to the holdings, as opposed to the dicta, of [the Supreme Court] as of the time of the relevant state-court decision.” ^{FN6} The holding must also be intended to be binding upon the states; that is, the decision must be based upon constitutional grounds, not on the supervisory power of the Supreme Court over federal courts. ^{FN7} Thus, where holdings of the Supreme Court regarding the issue presented on habeas review are lacking, “it cannot be said that the state court ‘unreasonabl[y] appli[ed] clearly established Federal law.’ ” ^{FN8} When a claim falls under the “unreasonable application” prong, a state court’s application of Supreme Court precedent must be objectively unreasonable, not just incorrect or erroneous. ^{FN9} The Supreme Court has made clear that the objectively unreasonable standard is a substantially higher threshold than simply believing that the state court determination was incorrect. ^{FN10} “[A]bsent a specific constitutional violation, federal habeas corpus review of trial error is limited to whether the error ‘so infected the trial with unfairness as to make the resulting conviction a denial of due process.’ ” ^{FN11}

The standard under which this court must assess the prejudicial impact of constitutional error in a state-court criminal trial is whether the error had a substantial and injurious effect or influence in determining the outcome. ^{FN12} Because state court judgments of conviction and sentence carry a presumption of finality and legality, the petitioner has the burden of showing by a preponderance of the evidence that he or she merits habeas relief. ^{FN13}

^{FN5.} 28 U.S.C. § 2254(d); see *Williams v. Taylor*, 529 U.S. 362, 404-06, 120 S.Ct. 1495, 146 L.Ed.2d 389 (2000); see also *Lockyer v. Andrade*, 538 U.S. 63, 70-75, 123 S.Ct. 1166, 155 L.Ed.2d 144 (2003) (explaining this standard).

^{FN6.} *Williams*, 529 U.S. at 412.

^{FN7.} *Early v. Packer*, 537 U.S. 3, 10, 123 S.Ct. 362, 154 L.Ed.2d 263 (2002).

^{FN8.} *Carey v. Musladin*, 549 U.S. 70, 77, 127 S.Ct. 649, 166 L.Ed.2d 482 (2006) (alterations by the Court); see *Wright v. Van Patten*, 552 U.S. 120, 127, 128 S.Ct. 743, 169 L.Ed.2d 583 (2008) (per curiam); *Kessee v. Mendoza-Powers*, 574 F.3d 675, 678-79 (9th Cir.2009); *Moses v. Payne*, 555 F.3d 742, 753-54 (9th Cir.2009) (explaining the difference between principles enunciated by the Supreme Court that are directly applicable to the case and principles that must be modified in order to be applied to the case; the former are clearly established precedent for purposes of § 2254(d)(1), the latter are not).

^{FN9.} *Wiggins v. Smith*, 539 U.S. 510, 520-21, 123 S.Ct. 2527, 156 L.Ed.2d 471 (2003) (internal quotation marks and citations omitted).

^{FN10.} *Schriro v. Landrigan*, 550 U.S. 465, 473, 127 S.Ct. 1933, 167 L.Ed.2d 836 (2007).

FN11. *Lewis v. Jeffers*, 497 U.S. 764, 780, 110 S.Ct. 3092, 111 L.Ed.2d 606 (1990) (quoting *Donnelly v. DeChristoforo*, 416 U.S. 637, 643, 94 S.Ct. 1868, 40 L.Ed.2d 431 (1974)).

FN12. *Fry v. Ptiler*, 551 U.S. 112, 121, 127 S.Ct. 2321, 168 L.Ed.2d 16 (2007) (adopting the standard set forth in *Brecht v. Abrahamson*, 507 U.S. 619, 637-38, 113 S.Ct. 1710, 123 L.Ed.2d 353 (1993)).

FN13. *Silva v. Woodford*, 279 F.3d 825, 835 (9th Cir.2002); see *Wood v. Bartholomew*, 516 U.S. 1, 8, 116 S.Ct. 7, 133 L.Ed.2d 1 (1995) (per curiam) (stating that a federal court cannot grant “habeas relief on the basis of little more than speculation with slight support”).

*2 In applying this standard, this court reviews the last reasoned decision by the state court,^{FN14} which in this case was that of the California Court of Appeal. Under AEDPA, the state court’s findings of fact are presumed to be correct unless the petitioner rebuts this presumption by clear and convincing evidence.^{FN15} This presumption applies to state trial courts and appellate courts alike.^{FN16}

FN14. *Ylst v. Nunnemaker*, 501 U.S. 797, 804, 111 S.Ct. 2590, 115 L.Ed.2d 706 (1991); *Robinson v. Ignacio*, 360 F.3d 1044, 1055 (9th Cir.2004).

FN15. 28 U.S.C. § 2254(e)(1); *Miller-El v. Cockrell*, 537 U.S. 322, 340, 123 S.Ct. 1029, 154 L.Ed.2d 931 (2003).

FN16. *Stevenson v. Lewis*, 384 F.3d 1069, 1072 (9th Cir.2004).

IV. DISCUSSION

Ground 1: Restricted Jury Voir Dire.

Prior to the commencement of the trial, the San Joaquin Superior Court imposed certain restrictions on jury *voir dire*. The California Court of Appeal summarized the *voir dire* procedure adopted by the

San Joaquin Superior Court:

Prior to trial, the prosecutor indicated he intended to use a questionnaire in jury selection. The trial court told the parties that since there were three defendants and use of a juror questionnaire was so time consuming, they had a choice: they could use a questionnaire, in which case no oral voir dire would be allowed, or they could select the jury through oral voir dire, with time limits. The prosecutor objected to having to choose and asked why. The court explained the reason was time. He thought a juror questionnaire was “a big waste” of time. The prosecutor continued to object, claiming it was “not fair.” The trial court believed juror questionnaires should be reserved for unique cases; the court was firm that if a questionnaire was used, he would not voir dire any potential jurors.

The defendants all wanted to use a questionnaire. Keomanivong’s counsel suggested the questionnaire be used for background and voir dire be permitted on the law. The court told the prosecutor challenges for cause would be based solely on the questionnaire, without further voir dire. The court would allow some questions to rehabilitate a potential juror.

After the questionnaires were completed by prospective jurors, the court maintained its position of no voir dire. The prosecutor objected, noting some questions were left blank. The court responded that was what peremptory challenges were for. Counsel should make their decision whether to use a questionnaire based on whether people are smart enough to complete it.

Prospective jurors were given a 12-page questionnaire to complete. The questionnaire asked for background information about the juror’s age, marital status, employment, military service, education, and experience with the legal system. It asked about prior jury service and law enforcement contacts. There were a series of questions concerning knowledge of and opinions about

gangs. It then asked about the juror's knowledge of the case. The final questions addressed opinions about certain legal principles, including aiding and abetting, self-defense, the presumption of innocence, bias, and firearms.^{FN17}

FN17. *Le*, 2006 WL 2942091 at *3-4.

Ek argues that this procedure, and the trial court's inconsistent application of the rehabilitation exception allowing followup oral questioning, produced a *voir dire* so deficient that it violated the Sixth Amendment right to an impartial jury. The California Court of Appeal rejected the defendants' argument:

*3 Defendants contend the trial court erred in eliminating or restricting oral voir dire. The Attorney General responds that defendants' failure to object below bars the contention on appeal. It is true that defendants did not voice objections to the trial court's procedure for jury selection at the time. Ek raised the restriction on voir dire as one ground for his motion for a new trial. The prosecutor, however, repeatedly raised objections to the elimination of oral voir dire and the trial court overruled his objections. There is no basis in the record for believing an objection by defense counsel would have fared better. Failure to object does not bar appellate review of an issue when an objection would have been futile. (*People v. Hill* (1998) 17 Cal.4th 800, 820, 72 Cal.Rptr.2d 656, 952 P.2d 673; *People v. Abbaszadeh* (2003) 106 Cal.App.4th 642, 648, 130 Cal.Rptr.2d 873.) Since the trial court proceeded despite vigorous objection by the prosecution, we review defendants' contention.

Code of Civil Procedure section 223 addresses the examination of prospective jurors in criminal cases. It provides that the court shall conduct the initial examination and the court may limit the oral and direct questioning of prospective jurors by counsel.^{FN3} (Code Civ. Proc., § 223.) "Examination of prospective jurors shall be con-

ducted only in aid of the exercise of challenges for cause." The trial court's exercise of its discretion in conducting voir dire "shall not cause any conviction to be reversed unless the exercise of that discretion has resulted in a miscarriage of justice, as specified in Section 13 of Article VI of the California Constitution."

FN3. The trial court expressed concern about counsel wanting to ask the same questions that were on the questionnaire and taking too much time. The court can control the process by limiting the questions that may be asked by counsel. (Citation omitted.)

A juror questionnaire may be used for assisting the voir dire process. (Citation omitted.)

Voir dire, the legal term describing the process of jury selection, "is itself a combination of two French verbs meaning 'to see' and 'to say.' [Citation.]" (*People v. King* (1987) 195 Cal.App.3d 923, 932, 241 Cal.Rptr. 189.) The importance of observing prospective jurors as they answer questions is well established. "Voir dire plays a critical function in assuring the criminal defendant that his Sixth Amendment right to an impartial jury will be honored. Without an adequate voir dire the trial judge's responsibility to remove prospective jurors who will not be able impartially to follow the court's instructions and evaluate the evidence cannot be fulfilled. [Citations.]" (*Rosales-Lopez v. United States* (1981) 451 U.S. 182, 188 [68 L.Ed.2d 22, 28].) The selection of jurors is often based on their demeanor and response to questions. (*Ibid.*; *People v. Tuilaepa* (1992) 4 Cal.4th 569, 587, 15 Cal.Rptr.2d 382, 842 P.2d 1142; *People v. Wheeler* (1978) 22 Cal.3d 258, 276, 148 Cal.Rptr. 890, 583 P.2d 748; see also *Mu'min v.*

Virginia (1991) 500 U.S. 415, 424 [114 L.Ed.2d 493, 505].)

*4 One potential problem that oral voir dire can screen is illustrated in this case. At least one prospective juror had difficulty understanding spoken English. Although this prospective juror noted the problem on the questionnaire, there could be situations where a prospective juror is reluctant to disclose his unfamiliarity with spoken English and the difficulty would not be noticed without oral voir dire.

Selection of a jury solely through the use of a written questionnaire, without any oral voir dire, raises serious questions. For example, in *People v. Stewart* (2004) 33 Cal.4th 425, 440, 15 Cal.Rptr.3d 656, 93 P.3d 271, a capital case, the trial court excused five potential jurors for cause over defense objection based solely on their answers to a questionnaire, without an opportunity for follow-up questions. The California Supreme Court found the excusals were error that required the reversal of defendant's death sentence. (*Id.* at pp. 454-455, 15 Cal.Rptr.3d 656, 93 P.3d 271.) The court noted the resources available to assist the trial court in properly conducting voir dire "proceed on the assumption that, except for prospective jurors who both parties stipulate should be excused for cause [citation], a juror questionnaire will not *obviate* the need for oral voir dire, but instead merely will shorten the time necessary to be spent on oral voir dire. [Citation .]" (*Id.* at p. 450, fn. 14, 15 Cal.Rptr.3d 656, 93 P.3d 271, italics in original, but see *People v. Avila* (2006) 38 Cal.4th 491, 531, 43 Cal.Rptr.3d 1, 133 P.3d 1076 [holding excusal for cause based solely on written questionnaire may be permissible in capital case].)

If the trial court had conducted jury selection based solely on the written questionnaire, as it initially stated it would, we might have to find reversible error. Fortunately, we need not decide that question because that is not what happened in this case. After a challenge for cause, the court

allowed the opposing party to rehabilitate the challenged prospective juror and allowed questions concerning ambiguous or troubling answers on the questionnaire. Thus, there was extensive oral voir dire by counsel of some prospective jurors.

We turn now to defendants' specific claims of error. Initially, we note defense counsel did not exhaust their peremptory challenges or object to the jury as constituted, nor did they justify their failure to do so. Therefore, they may not challenge on appeal the trial court's denial of any challenge for cause. (*People v. Lewis* (2001) 25 Cal.4th 610, 634, 106 Cal.Rptr.2d 629, 22 P.3d 392; *People v. Waidla* (2000) 22 Cal.4th 690, 715, 94 Cal.Rptr.2d 396, 996 P.2d 46.)

Le contends a substantial number of juror questionnaires provided insufficient information on which to base intelligent decisions to challenge the prospective jurors. Le fails, however, to cite any instance in which he wanted to ask follow-up questions and the trial court precluded him from doing so. We recognize that when voir dire is so inadequate as to prevent intelligent exercise of challenges, the use of peremptory challenges cannot cure the harm, so exhaustion of peremptory challenges is not required to raise the issue on appeal. (*People v. Bolden* (2002) 29 Cal.4th 515, 537-538, 127 Cal.Rptr.2d 802, 58 P.3d 931.) In this case, the trial court did allow follow-up questions when requested. Therefore, we cannot say the jury selection process was completely inadequate. Le must show he was denied the opportunity for adequate voir dire and he fails to do so.

*5 Ek's argument is more detailed, citing specific answers from several prospective jurors he considers troubling. The record does not demonstrate that Ek's trial counsel shared the same concern as Ek's appellate counsel. As to those prospective jurors who were not seated, Ek fails to show any prejudice from the allegedly inadequate voir dire. As to those prospective jurors who were actually seated as jurors, Ek fails to show trial counsel

raised any concern about their answers or requested any follow-up questions. There was a challenge to juror No. 9, whose answers appeared to assume defendants were gang members. The trial court admonished the prospective jurors that gang membership remained something to be proven. The court denied Le's challenge to juror No. 10, accepting her claim she could give full attention to the trial despite her personal problems. This juror was later excused. Two alternate jurors who were later seated as jurors were subject to oral voir dire. Ek has failed to show the trial court denied any request for oral voir dire of any prospective juror who was later seated as a juror.

While the trial court controls the manner of jury selection, at a minimum defendant and his counsel should be given the opportunity to see the prospective jurors respond to questions. Here the trial court afforded that opportunity only as to some prospective jurors, to rehabilitate those challenged for cause or to clarify ambiguous or troubling answers on the questionnaire. We do not condone such a radical departure from the usual voir dire in a special circumstance murder case. Nonetheless, given that voir dire is only for the purpose of exercising challenges for cause ([Code Civ. Proc., § 223](#)), only the prosecutor objected to the trial court's conduct of voir dire, and defendants have failed to show their request to voir dire any prospective juror who actually sat was denied, we find no reversible error. ^{FN18}

^{FN18.} [Le, 2006 WL 2949021 at *4-6.](#)

As the Supreme Court observed in *Rosales-Lopez* cited by the California Court of Appeal:

Despite its importance, the adequacy of *voir dire* is not easily subject to appellate review. The trial judge's function at this point in the trial is not unlike that of the jurors later on in the trial. Both must reach conclusions as to impartiality and credibility by relying on their own evaluations of demeanor evidence and of responses to

questions. See [Ristaino v. Ross](#), 424 U.S. 589, 595, 96 S.Ct. 1017, 1020, 47 L.Ed.2d 258 (1976), quoting [Rideau v. Louisiana](#), 373 U.S. 723, 733, 83 S.Ct. 1417, 1422, 10 L.Ed.2d 663 (1963) (Clark, J., dissenting). In neither instance can an appellate court easily second-guess the conclusions of the decision-maker who heard and observed the witnesses.

Because the obligation to impanel an impartial jury lies in the first instance with the trial judge, and because he must rely largely on his immediate perceptions, federal judges have been accorded ample discretion in determining how best to conduct the *voir dire*. In [Aldridge v. United States](#), 283 U.S. 308, 51 S.Ct. 470, 75 L.Ed. 1054 (1931), the Court recognized the broad role of the trial court: “[T]he questions to the prospective jurors were put by the court, and the court had a broad discretion as to the questions to be asked.” [Id.](#), at 310, 51 S.Ct., at 471. See also [Ham v. South Carolina](#), 409 U.S. 524, 528, 93 S.Ct. 848, 851, 35 L.Ed.2d 46 (1973) (recognizing “the traditionally broad discretion accorded to the trial judge in conducting *voir dire*....”). Furthermore, [Rule 24\(a\), Federal Rules of Criminal Procedure](#), provides that the trial court may decide to conduct the *voir dire* itself or may allow the parties to conduct it. If the court conducts it, the parties may “supplement the examination by such further inquiry as [the court] deems proper”; alternatively, the court may limit participation to the submission of additional questions, which the court must ask only “as it deems proper.” ^{FN19}

^{FN19.} [Rosales-Lopez](#), 451 U.S. at 188-89.

*6 Given the broad discretion the Supreme Court has accorded to trial judges in conducting voir dire, this court cannot say that the decision of the California Court of Appeal was “contrary to, or involved an unreasonable application of, clearly established Federal law, as determined by the Supreme Court of the United States” or “was based on an unreasonable determination of the facts in light

of the evidence presented in the State court proceeding.”^{FN20} Nor can this court find that the state court unreasonably applied the correct legal principle to the facts of Ek's case within the scope of *AndradeWilliams-Schriro*. Perhaps most importantly, as the California Court of Appeal noted, there is no showing that the trial court denied any request for oral *voir dire* of any prospective juror who was later seated as a juror.^{FN21} Ek is not entitled to relief under his first ground.

FN20. 28 U.S.C. § 2254(d).

FN21. See *United States v. Anzalone*, 886 F.2d 229, 234 (9th Cir.1989) (“[Ek's] attorney was allowed to submit questions to the district judge to be asked on voir dire and did not submit this question. He cannot now claim he was denied a fair trial solely because this question was not asked.”)

Ground 2: Failure to Discharge Juror.

In the course of the trial, a juror had a domestic violence altercation with his girlfriend and reported her to the police. Ek contends that this compromised the juror's ability to be impartial and the juror should have been excused. The California Court of Appeal summarized the background as follows:

During trial, the prosecutor reported to the court on a “juror problem.” Juror No. 12 and his girlfriend were at a restaurant or bar and got into a fight. The fight continued at home; the girlfriend threw things and pulled the phone out. The police responded and took statements. The district attorney sent the case back for further investigation. The trial court was concerned that juror No. 12 might feel either beholden to or mad at the district attorney depending on what happened; the court wanted to keep the juror out of the district attorney's office. The parties agreed the court needed to talk to juror No. 12.

The court told the juror the matter was under investigation and the most important thing was that it not affect his judgment in this case. The juror

explained his girlfriend was arrested; he had posted bail for her, but they were living apart and had not reconciled. He did not intend to pursue the complaint. They had both been drinking and things got out of hand. Neither he nor his girlfriend told the truth and he wanted the case dropped.

Le made a motion to excuse juror No. 12 because he was a witness in a criminal case and he had admitted making false statements to the police. Ek and Keomanivong agreed the juror was compromised. The prosecutor said they were speculating; he preferred to wait and see what happened. Le noted that if there were more alternates, there would be no discussion. The court agreed, but there was only one alternate left. The court decided to follow the prosecutor's suggestion and let the matter run its course. If something happened, they could revisit the matter.

Le argued this case involved witnesses who had changed their story and the prosecutor's argument that such witnesses should be believed would resonate with juror No. 12 because “I've sinned, too, brother.” He argued keeping juror No. 12 violated due process.

*7 The court decided to wait and admonished the juror not to discuss the matter with the other jurors. Towards the end of the trial, the court raised the matter. There was no news on the case of the juror's girlfriend and juror No. 12 remained on the jury.

Ek's motion for a new trial was based, in part, on the failure to remove juror No. 12.

All defendants contend the trial court erred in failing to excuse juror number 12 because he had lied to the police and was entangled with the district attorney's office.^{FN22}

FN22. *Le*, 2006 WL 2949021 at *6-7.

The California Court of Appeal rejected the defendants' arguments, holding:

Penal Code section 1089 provides in part: "If at any time, whether before or after the final submission of the case to the jury, a juror dies or becomes ill, or upon other good cause shown to the court is found to be unable to perform his or her duty, ... the court may order the juror to be discharged...." "Before an appellate court will find error in failing to excuse a seated juror, the juror's inability to perform a juror's functions must be shown by the record to be a "demonstrable reality." The court will not presume bias, and will uphold the trial court's exercise of discretion on whether a seated juror should be discharged for good cause under section 1089 if supported by substantial evidence. [Citation.] [Citations.]" (*People v. Jablonski* (2006) 37 Cal.4th 774, 807, 38 Cal.Rptr.3d 98, 126 P.3d 938.) The record does not show as a demonstrable reality that juror No. 12 was unable to fulfill his obligations as a juror.

Le relies on cases where a juror lied to get on and stay on the jury, particularly *Dyer v. Calderon* (9th Cir.1998) 151 F.3d 970 (*Dyer*). We find *Dyer* distinguishable. In *Dyer*, during voir dire a juror failed to disclose the killing of her brother that was similar to the crime being tried after she saw other jurors disclose lesser crimes and be dismissed. Later, when questioned about her brother's death, she lied and pretended his death was an accident. From these responses the reviewing court drew the inference that the juror "lied to preserve her status as a juror and to secure the right to pass on Dyer's sentence." (*Id.* at p. 982.) The court found the juror's repeated lying was incompatible with the truthseeking process of a trial. (*Id.* at p. 983.) The magnitude of her lies exposed a rare case of presumed juror bias. (*Id.* at p. 984.)

A far different situation is presented here. Although juror No. 12 apparently did not tell the truth to the police when they arrested his girl-

friend, later, when sober and not fighting, he was remorseful and wanted to set the record straight. His misstatements had no relationship to the trial on which he was a juror and did not show the contempt for the process so evident and disturbing in *Dyer, supra*, 151 F.3d 970. Nor did he attempt to cover up his falsehoods; he was honest (and chagrined) when questioned by the court.

Keomanivong relies on cases where a juror was involved with the district attorney's office or charged with a crime. In *People v. Farris* (1977) 66 Cal.App.3d 376, 385, 136 Cal.Rptr. 45, a juror was dismissed after he was in custody on a felony charge. The appellate court found good cause for the dismissal. The nature and extent of the charges against the juror, his attitudes evinced towards the police, and his concealment of his past and present scrapes with the law on voir dire showed his unfitness to serve as a juror. (*Id.* at pp. 386-387, 136 Cal.Rptr. 45.) In *In re Devlin* (1956) 139 Cal.App.2d 810, at page 813, 294 P.2d 466, overruled on another point in *Larios v. Superior Court* (1979) 24 Cal.3d 324, 333, 155 Cal.Rptr. 374, 594 P.2d 491, the court held where a juror in a criminal case is charged with a crime and expresses the desire to be relieved, the trial court has discretion to determine there is good cause to excuse the juror.

*8 This case is more similar to *People v. Holt* (1997) 15 Cal.4th 619, 63 Cal.Rptr.2d 782, 937 P.2d 213. In *Holt*, a juror's son was arrested for felony assault. On appeal, defendant contended the juror should have been excused because he might have had some undisclosed liability in the incident or have harbored bias. The high court disagreed, finding the defense concerns that the juror was biased or hoped to curry favor with the prosecution were speculation. (*Id.* at pp. 658-659, 63 Cal.Rptr.2d 782, 937 P.2d 213.) Although *Holt* is distinguishable because there the defense did not seek to excuse the juror at trial, it is on point that pure speculation will not show a "demonstrable reality" sufficient to overturn the

trial court's discretion in deciding whether to excuse a seated juror. (*Id.* at p. 659, 63 Cal.Rptr.2d 782, 937 P.2d 213.)

Because defendants have failed to show as a “demonstrable reality” that juror No. 12 could not perform the functions of a juror, their contention that he should have been excused fails.^{FN23}

FN23. *Le*, 2006 WL 2949021 at *7-8.

It is well-established constitutional law that a criminal defendant has a right under the Sixth Amendment to an impartial jury.^{FN24} It is also well-established that a “defendant is entitled to a fair trial, but not a perfect one, because there are no perfect trials.”^{FN25} Under Supreme Court precedent, the appropriate remedy for allegations of juror partiality is a hearing in which the defendant has the opportunity to establish bias.^{FN26} The trial court followed that procedure in this case. In a federal habeas proceeding, findings of the state court that a juror's conduct did not impair his ability to render an impartial verdict are presumptively correct.^{FN27} In this case, there is no evidence that the juror was unable to carry out his functions as a juror, was not impartial, or allowed his personal experience to interfere with weighing the evidence, or that he decided the case on any basis other than the evidence. Thus, Ek has not shown that the failure to excuse the juror prejudiced him in any way.^{FN28}

FN24. *Irwin v. Dowd*, 366 U.S. 717, 722, 81 S.Ct. 1639, 6 L.Ed.2d 751 (1961); see *Peters v. Kiff*, 407 U.S. 493, 501-02, 92 S.Ct. 2163, 33 L.Ed.2d 83 (1972); *Turner v. Louisiana*, 379 U.S. 466, 471, 85 S.Ct. 546, 13 L.Ed.2d 424 (1965).

FN25. *Brown v. United States*, 411 U.S. 223, 231-32, 93 S.Ct. 1565, 36 L.Ed.2d 208 (1973) (internal citations and quotation marks omitted).

FN26. *Smith v. Phillips*, 455 U.S. 209, 215, 102 S.Ct. 940, 71 L.Ed.2d 78 (1982); *Rem-*

mer v. United States, 347 U.S. 227, 229, 74 S.Ct. 450, 98 L.Ed. 654 (1954); see *Dennis v. United States*, 339 U.S. 162, 171-72, 70 S.Ct. 519, 94 L.Ed. 734 (1950) (“Preservation of the opportunity to prove actual bias is a guarantee of a defendant's right to an impartial jury.”).

FN27. See *Smith*, 455 U.S. at 218.

FN28. See *Davis v. Woodford*, 384 F.3d 628 (9th Cir.2004); *Anderson v. Calderon*, 232 F.3d 1053, 1098-99 (9th Cir.2000), overruled on other grounds by *Osband v. Woodford*, 290 F.3d 1036 (9th Cir.2002).

This court cannot say that the decision of the California Court of Appeal was “contrary to, or involved an unreasonable application of, clearly established Federal law, as determined by the Supreme Court of the United States” or “was based on an unreasonable determination of the facts in light of the evidence presented in the State court proceeding.”^{FN29} Nor can this court find that the state court unreasonably applied the correct legal principle to the facts of Ek's case within the scope of *AndradeWilliams-Schriro*. Ek is not entitled to relief under his second ground.

FN29. 28 U.S.C. § 2254(d).

Ground 3: Erroneous Jury Instruction (CALJIC No. 5.55).

Ek asserts that there was insufficient evidentiary support to give CALJIC No. 5.55 on contrived self-defense. Ek argues this deprived him of a meaningful opportunity to present a defense. In rejecting Ek's position, the California Court of Appeal held:

Ek contends there was no evidence to support giving CALJIC No. 5.55 on contrived self-defense. He contends the evidence shows either aggression and murder by defendant or no aggression and selfdefense; there was no middle ground.

*9 He also contends the last paragraph of CALJIC No. 5.17 erroneously limited the defense of imperfect self-defense. The instruction tells the jury an actual but unreasonable belief in the necessity to defend against imminent peril is a defense to murder, but not voluntary manslaughter. The last paragraph reads: "However, this principle is not available, and malice aforethought is not negated, if the defendant by his unlawful or wrongful conduct created the circumstances which legally justified his adversary's use of force." Ek contends this paragraph is misleading because it suggests that a factual mistake as to which side was the aggressor disqualifies the claim of imperfect self-defense. He argues the jury would have rejected imperfect self-defense if it found ABZ shot first, regardless of Ek's subjective belief.

For the reasons set forth above, we find Ek forfeited these contentions by his failure to object to these instructions below. Any error in these instructions was not a miscarriage of justice. FN30

FN30. *Le*, 2006 WL 2949021 at *35. The Court of Appeal had previously stated with respect to Ek's contentions regarding different self-defense instructions: "The trial court went over the instructions it intended to give, allowing any objections or argument to be placed on the record. Ek did not object to any of the self-defense instructions, although he did object to other instructions. Defendant's failure to object to a jury instruction forfeits the claim on appeal unless he demonstrates a miscarriage of justice. (*People v. Christopher* (2006) 137 Cal.App.4th 418, 426-427, 40 Cal.Rptr.3d 615.)" 2006 WL 2949021 at *34.

Respondent contends that because the Court of Appeal held that Ek in failing to object to the instruction in the trial court he forfeited this claim, Ek defaulted and he is, thus, procedurally barred

from raising it in a federal habeas proceeding. The court agrees. Federal courts "will not review a question of federal law decided by a state court if the decision of that court rests on a state law ground that is independent of the federal question and adequate to support the judgment." FN31 This Court may not reach the merits of procedurally defaulted claims, that is, claims "in which the petitioner failed to follow applicable state procedural rules in raising the claims " FN32 Although the ultimate burden of proving adequacy of a state procedural bar is on the government, once it has "adequately pled the existence of an independent and adequate state procedural ground as an affirmative defense, the burden to place that defense in issue shifts to the petitioner." FN33 Ek may satisfy his burden "by asserting specific factual allegations that demonstrate the inadequacy of the state procedure, including citation to authority demonstrating inconsistent application of the rule." FN34 Ek does not address procedural default in his traverse. Consequently, Ek has not properly joined this issue. Even had Ek properly joined the issue, the California contemporaneous-objection requirement to preserve a challenge to an instruction on appeal is an independent and adequate state ground barring review in this court. FN35

FN31. *Coleman v. Thompson*, 501 U.S. 722, 729, 111 S.Ct. 2546, 115 L.Ed.2d 640 (1991).

FN32. *Sawyer v. Whitley*, 505 U.S. 333, 338, 112 S.Ct. 2514, 120 L.Ed.2d 269 (1992).

FN33. *Bennett v. Mueller*, 322 F.3d 573, 586 (9th Cir.2003).

FN34. *Id.*

FN35. *See Paulino v. Castro*, 371 F.3d 1083, 1093 (9th Cir.2004).

Because Ek's instructional error claim was defaulted in state court on an adequate and independ-

ent state ground, it cannot be considered in federal habeas proceedings unless Ek can demonstrate cause for the default and actual prejudice.^{FN36} As noted above, Ek does not discuss the procedural default defense. Consequently, Ek has not only failed to properly join the issue, Ek has totally failed to establish that it should not be applied in this case. Even assuming Ek could show cause, he cannot show prejudice. To prove a fundamental miscarriage of justice, Ek must show that a constitutional violation probably resulted in his conviction despite his actual innocence.^{FN37} Although at the gateway stage Ek need not establish his innocence as an “absolute certainty,” Ek must demonstrate that more likely than not, no reasonable juror could find him guilty beyond a reasonable doubt.^{FN38} Ek’s third ground must be dismissed.

FN36. See *Coleman v. Thompson*, 501 U.S. 722, 729, 111 S.Ct. 2546, 115 L.Ed.2d 640 (1991).

FN37. See *Schlup v. Delo*, 513 U.S. 298, 321-25, 115 S.Ct. 851, 130 L.Ed.2d 808 (1995) (linking miscarriages of justice to actual innocence); *United States v. Olano*, 507 U.S. 725, 736, 113 S.Ct. 1770, 123 L.Ed.2d 508 (1993) (“In our collateral-review jurisprudence, the term ‘miscarriage of justice’ means that the defendant is actually innocent.”); *Murray v. Carrier*, 477 U.S. 478, 496 (1986) (“in an extraordinary case, where a constitutional violation has probably resulted in the conviction of one who is actually innocent, a federal habeas court may grant the writ even in the absence of a showing of cause for the procedural default.”)

FN38. *House v. Bell*, 547 U.S. 518, 538, 126 S.Ct. 2064, 165 L.Ed.2d 1 (2006).

Ground 4: Prosecutorial Misconduct.

*10 Ek contends that the prosecutor misstated the burden of proof, which resulted in a denial of his due process right to be found guilty beyond a

reasonable doubt. The underlying facts, as summarized by the California Court of Appeal, were:

At the end of his rebuttal argument, the prosecutor addressed the concept of reasonable doubt. He first told the jury that reasonable doubt could not be reduced to a numerical percentage, such as 90 percent certain. He indicated he could never reach 100 percent certainty and was not required to answer every question posed by the evidence. He then stated:

“I don't like the instruction on beyond a reasonable doubt because I think it's phrased in the negative. It says you have a reasonable doubt if you don't have an abiding conviction of the truth of the charge. [¶] To me, in my mind, it's easier if you flip it around and put it in the positive. If you have an abiding conviction of the truth of the charge, then you're convinced beyond a reasonable doubt. And it's very simple when you look at it that way. [¶] You have to have an abiding conviction of the truth of the charge. Well, what does abiding mean? Abiding means lasting. What does conviction mean? It means strong belief. You have to have a lasting strong, belief of the truth of the charge to convict. And that is all. That is essentially the same standard-”

At this point Le's counsel asked to approach. Before argument, in response to the prosecutor's concern about speaking objections, the trial court ruled any objection to argument had to be made by approaching the bench. After the unreported conference, the trial court instructed the jury: “Again, ladies and gentlemen, I remind you the definitions that you are to use have to come from these instructions.”

The prosecutor continued his argument: “This abiding conviction has to last-well, actually there's no set time limit on how long it should last. If you want to forget about us in a month and forget that you ever heard about this case, that's okay. [¶] As long as you can recite somewhat the facts of this case, that you know that

three carloads of ABZ gang members armed themselves with two rifles and two handguns, drove into Bedlow looking for a fight with rivals and they shot up that street, as long as you can remember that, that's how long your abiding conviction should last." The prosecutor ended his argument shortly thereafter.

During a 15-minute break before jury instructions, the reporter read back this argument about reasonable doubt. Le's counsel contended the argument after the admonishment made the misstatement of the reasonable doubt standard "even worse." He urged the admonishment was insufficient; the argument lessened and diluted the burden of proof. He asked for a mistrial. Ek and Keomanivong joined in the motion, which was denied.

Defendants contend the prosecutor's argument that an abiding conviction need not last long reduced the burden of proof and was a structural error requiring reversal.^{FN39}

FN39. *Le*, 2006 WL 2949021 at *14-15.

*11 The California Court of Appeal, in rejecting the arguments of the defendants, held:

To establish guilt beyond a reasonable doubt, the factfinder must reach a subjective state of near certitude of the guilt of the accused. (*Jackson v. Virginia* (1979) 443 U.S. 307, 315 [61 L.Ed.2d 560, 571].) An abiding conviction has a lasting and permanent nature; it must be strongly and deeply held. (*People v. Brigham* (1979) 25 Cal.3d 283, 290-291, 157 Cal.Rptr. 905, 599 P.2d 100.) "The word 'abiding' here has the signification of settled and fixed, a conviction which may follow a careful examination and comparison of the whole evidence." (*Hopt v. Utah* (1887) 120 U.S. 430, 439 [30 L.Ed. 708, 711].)

The significance of "abiding conviction" with respect to the reasonable doubt standard is the depth and certainty of the belief, not how long

the belief is held. The prosecutor told the jury an abiding conviction was "a lasting, strong belief of the truth of the charge to convict." We find no error in this formulation.

To the extent the prosecutor may have weakened the reasonable doubt standard by his further discussion of how long an abiding conviction must last, the pertinent question is whether there is a reasonable likelihood the jury understood it could convict based on proof of less than beyond a reasonable doubt. (*Victor v. Nebraska* (1994) 511 U.S. 1, 6 [127 L.Ed.2d 583, 591].) We conclude there was no such reasonable likelihood. The trial court properly instructed the jury on the presumption of innocence, the reasonable doubt standard, and the People's burden to prove guilt beyond a reasonable doubt. Further, the court instructed the jury it should use the definitions provided by the court. Absent some indication in the record to the contrary, we presume the jury followed the court's instructions. (*People v. Jablonski*, *supra*, 37 Cal.4th 774, 806-807, 38 Cal.Rptr.3d 98, 126 P.3d 938; *People v. Boyette* (2002) 29 Cal.4th 381, 436, 127 Cal.Rptr.2d 544, 58 P.3d 391.) Finally, all three defense counsel stressed the reasonable doubt standard in their closing arguments.^{FN40}

FN40. *Le*, 2006 WL 2949021 at * 15.

"To warrant habeas relief, prosecutorial misconduct must 'so infect the trial with unfairness as to make the resulting conviction a denial of due process.' " ^{FN41} It is uncontested that the jury instructions given by the trial court properly defined the beyond a reasonable doubt standard. This court, as did the California Court of Appeals, must assume in the absence of evidence to the contrary that the jury followed the instructions given by the trial court.^{FN42} "The jury is regularly presumed to accept the law as stated by the court, not as stated by counsel." ^{FN43} This presumption has not been overcome in this case as there is no evidence that the jury was confused about the proof beyond a

Slip Copy, 2010 WL 843760 (E.D.Cal.)
 (Cite as: 2010 WL 843760 (E.D.Cal.))

reasonable doubt standard. The jury never sought clarification of the standard and, as the California Court of Appeal noted, all three defense counsel stressed the reasonable doubt standard in their closing arguments.^{FN44}

FN41. *Davis v. Woodford*, 384 F.3d 628, 644 (9th Cir.2004), quoting *Darden v. Wainwright*, 477 U.S. 168, 181, 106 S.Ct. 2464, 91 L.Ed.2d 144 (1986).

FN42. See *Weeks*, 528 U.S. at 234; *Richardson*, 481 U.S. at 206; *Francis*, 471 U.S. at 324 n. 9.

FN43. *United States v. Medina Casteneda*, 511 F.3d 1246, 1250 (9th Cir.2008) (quoting *United States v. Rodrigues*, 159 F.3d 439, 451 (9th Cir.1998)).

FN44. See *id.*

*12 On the record before it, this court cannot say that the decision of the California Court of Appeal was “contrary to, or involved an unreasonable application of, clearly established Federal law, as determined by the Supreme Court of the United States” or “was based on an unreasonable determination of the facts in light of the evidence presented in the State court proceeding.”^{FN45} Nor can this court find that the state court unreasonably applied the correct legal principle to the facts of Ek’s case within the scope of *Andrade-Williams-Schriro*. Ek is not entitled to relief under his fourth ground.

FN45. 28 U.S.C. § 2254(d).

V. CONCLUSION AND ORDER

Ek is not entitled to relief under any grounds raised in the petition. Accordingly,

IT IS ORDERED THAT the Petition for a writ of habeas corpus under 28 U.S.C. § 2254 is **DENIED**.

IT IS FURTHER ORDERED THAT the court declines to issue a Certificate of Appealabil-

ity.^{FN46} Any further request for a Certificate of Appealability must be addressed to the Court of Appeals.^{FN47}

FN46. 28 U.S.C. § 2253(c); *Slack v. McDaniel*, 529 U.S. 473, 484, 120 S.Ct. 1595, 146 L.Ed.2d 542 (2000) (a COA should be granted where the applicant has made “a substantial showing of the denial of a constitutional right,” *i.e.* , when “reasonable jurists could debate whether (or, for that matter, agree that) the petition should have been resolved in a different manner or that the issues presented were adequate to deserve encouragement to proceed further.”) (internal quotation marks and citations omitted).

FN47. See Fed. R.App. P. 22(b); Ninth Circuit R. 22-1.

The Clerk of the Court will please final judgment accordingly.

E.D.Cal.,2010.

Ek v. McDonald

Slip Copy, 2010 WL 843760 (E.D.Cal.)

END OF DOCUMENT

TAB 4

LEXSEE



Analysis

As of: Apr 27, 2011

FRANK GAYLORD, Plaintiff, v. UNITED STATES, Defendant.

No. 06-539C

UNITED STATES COURT OF FEDERAL CLAIMS

2011 U.S. Claims LEXIS 613

April 22, 2011, Filed

PRIOR HISTORY: [Gaylord v. United States, 595 F.3d 1364, 2010 U.S. App. LEXIS 3915 \(Fed. Cir., 2010\)](#)

CORE TERMS: stamp, copyright infringement, infringement, fair use, royalty rate, pre-judgment, memorial, actual damages, patent infringement, reasonableness, copyrighted, royalty, zone, postage stamp, sovereign immunity, infringed, sculptures, soldier, stainless steel, statutory damages, affirmative defense, commemorating, merchandise, negotiations, formation, installed, depicted, veterans, compute, statues

HEADNOTES

Copyright Infringement; Measure of Damages for Postal Service's Use of Copyrighted Image on Postage Stamp; [28 U.S.C. § 1498 \(b\)](#); [17 U.S.C. § 504](#); Zone of Reasonableness Based Upon Evidentiary Record.

COUNSEL: [*1] Heidi E. Harvey, Fish & Richardson P.C., Boston, Massachusetts, for Plaintiff.

Scott Bolden, with whom were Tony West, Assistant Attorney General, John J. Fargo, Director, Commercial Litigation Branch, Civil Division, United States Department of Justice, Washington, D.C., Gary L. Hausken and Michael F. Kiely, Of Counsel, for Defendant.

JUDGES: THOMAS C. WHEELER, Judge.

OPINION BY: THOMAS C. WHEELER

OPINION

OPINION AND ORDER

WHEELER, Judge.

In this copyright action, Plaintiff Frank Gaylord alleges that the United States Postal Service infringed upon his copyright when it issued a 37-cent postage stamp commemorating the 50th anniversary of the armistice of the Korean War. The stamp depicted some of the stainless steel soldier sculptures that are part of the Korean War Veterans Memorial ("KWVM") located on the national mall in Washington, D.C. Mr. Gaylord sculpted nineteen soldiers in formation, known as "The Column." This Court previously held that, although Mr. Gaylord possesses a copyright for the sculptures at issue, the Postal Service made fair use of the work and therefore was not liable for infringement. [Gaylord v. United States, 85 Fed. Cl. 59 \(2008\)](#). On appeal, the Federal Circuit affirmed the holding that Mr. [*2] Gaylord possesses a copyright, but determined that the Postal Service's depiction of the sculptures on its memorial stamp did not fall within fair use. [Gaylord v. United States, 595 F.3d 1364 \(Fed. Cir. 2010\)](#). The case is now on remand to this Court for a determination of damages.

The parties rely upon the original trial record to

support their respective damages positions. While the parties submitted supplemental briefs on damages during February 2011, they did not submit any new damages evidence. Plaintiff claims damages of \$3,024,376.20 based upon a ten percent royalty rate applied to \$30.2 million in revenues that the Postal Service received from stamp sales and non-stamp merchandise sales. Defendant argues that Plaintiff failed to show harm or proximate cause from the copyright infringement, and therefore Plaintiff should recover only a statutory minimum of \$750. The Postal Service has never paid more than \$5,000 to a copyright owner to use a copyrighted image on a postage stamp. By internal policy, the Postal Service is not permitted to pay a royalty for use of a copyrighted image.

Background¹

1 The Court is providing an abbreviated set of facts relevant to the determination of damages. [*3] A fuller description of the facts, and an image of the stamp in question, is contained in the Court's original decision. See [Gaylord, 85 Fed. Cl. at 62-65](#).

On October 28, 1986, Congress enacted legislation to erect a memorial to honor veterans of the Korean War. See Pub. L. No. 99-572 (1986). Cooper-Lecky Architects, P.C., the prime contractor for the creation, construction, and installation of the memorial, hired Mr. Gaylord as a subcontractor to sculpt the statues of the memorial. (Stip. ¶¶ 3-4.) Mr. Gaylord worked on "The Column" from 1990 to 1995, ultimately sculpting nineteen stainless steel statues representing a platoon of foot soldiers in formation to be installed as part of the KWVM. (Stip. ¶ 5; Gaylord, Tr. 104-06.) "The Column" was completed and installed as part of the KWVM in 1995 and dedicated on July 27, 1995. (Stip. ¶¶ 7-8.)

In January 1996, Mr. John Alli, an amateur photographer, visited the KWVM during a snowstorm and took a photograph that he called "Real Life." (Stip. ¶ 12; Alli, Tr. 371; DX 24.) In 2002, the Postal Service authorized a 37-cent postage stamp commemorating the Korean War, incorporating "Real Life" into the stamp image. (Stip. ¶ 13.) The Postal Service [*4] paid Mr. Alli \$1,500 for the use of his photograph. (Alli, Tr. 383.) The Postal Service did not seek Mr. Gaylord's permission to depict "The Column" on the stamp, and Mr. Gaylord did not consent to the Postal Service's use of an image of "The Column" on the stamp. (Stip. ¶ 16.) The Postal

Service issued the stamp on July 27, 2003. (Stip. ¶ 14.) From this date until the stamp was retired on March 31, 2005, the Postal Service produced approximately 86.8 million of these stamps, as well as other retail goods featuring images of the stamp. (Stip. ¶ 15.)

On July 25, 2006, Mr. Gaylord filed suit in this Court alleging that the Postal Service infringed upon his copyright in "The Column." The Court conducted a trial in Washington, D.C. on June 16-20, 2008 and issued its decision on December 16, 2008. The Court found that Mr. Gaylord owns a valid copyright for "The Column" and that the Postal Service copied "The Column." [Gaylord, 85 Fed. Cl. at 68](#). However, the Court found that the Postal Service made fair use of the "The Column" and therefore was not liable for copyright infringement. *Id.* The Court also denied Defendant's affirmative defense under the Architectural Works Copyright Protection [*5] Act ("AWCPA"). *Id.*

Both parties appealed. Mr. Gaylord appealed the Court's determination that the Postal Service made fair use of his copyrighted work, and the Government appealed the Court's denial of its affirmative defense. The Federal Circuit affirmed-in-part and reversed-in-part, holding that the Postal Service did not make fair use of "The Column," and remanded the case to this Court for a determination of damages. [Gaylord, 595 F.3d at 1364](#).

Discussion

With liability established, the Court must fashion the appropriate compensation due Mr. Gaylord because of the Government's infringement of his copyright. The applicable statute, [28 U.S.C. § 1498\(b\) \(2006\)](#), provides that an owner of a copyright infringed by the Government is entitled to "recovery of his reasonable and entire compensation as damages for such infringement, including the minimum statutory damages as set forth in [Section 504\(c\) of title 17, United States Code](#)." The legislative history for [Section 1498\(b\)](#) indicates that "reasonable and entire compensation" is equivalent to just compensation under the [Fifth Amendment](#). See S. Rep. No. 86-1877, reprinted in 1960 U.S.C.C.A.N. 3444, 3445-46 ("extending the provisions of [Section 1498](#)" [*6] to permit an action to recover "just compensation" for copyright infringement). The proper focus for "just compensation" under the [Fifth Amendment](#) is "what the owner has lost, not what the taker has gained." [Leesona v. United States, 599 F.2d 958, 968-69, 220 Ct. Cl. 234 \(Ct. Cl. 1979\)](#) (en banc); [Standard Mfg. Co., Inc. v. United](#)

[States, 42 Fed. Cl. 748, 757 \(1999\).](#)

Our Court and its predecessor, the U.S. Court of Claims, have looked to [17 U.S.C. § 504 \(2006\)](#) for guidance in interpreting the damages provisions of [Section 1498\(b\)](#). [Wechsberg v. United States, 54 Fed. Cl. 158, 165-66 \(2002\)](#); [Steve Altman Photography v. United States, 18 Cl. Ct. 267, 279 \(1989\)](#); [Williams & Wilkins Co. v. United States, 487 F.2d 1345, 1350, 203 Ct. Cl. 74 \(Ct. Cl. 1973\)](#), *aff'd per curiam*, [420 U.S. 376, 95 S. Ct. 1344, 43 L. Ed. 2d 264 \(1975\)](#). The language of [Section 1498\(b\)](#) quoted above explicitly refers to the minimum statutory damages provision in [17 U.S.C. § 504\(c\)](#). The Court's objective, as in any copyright action, is to determine the actual damages of the copyright owner resulting from the infringement. See [17 U.S.C. § 504\(b\)](#) (specifying the recovery of actual damages for copyright infringement); [On Davis v. Gap, Inc., 246 F.3d 152, 159 \(2d Cir. 2001\)](#) (the "award of [*7] the owner's actual damages looks at the facts from the point of view of the copyright owner" and "undertakes to compensate the owner for any harm he suffered."). The Court endorses the approach in *Steve Altman Photography* of employing a "zone of reasonableness" to determine the copyright owner's actual damages. [18 Cl. Ct. at 282](#).

In this case, the Postal Service paid Mr. Alli, the photographer of "Real Life" depicted on the stamp, \$1,500. Mr. McCaffrey, Manager of Stamp Development at the Postal Service, testified that the highest amount the Postal Service has ever paid to incorporate an existing image on a stamp is \$5,000. (McCaffrey, Tr. 587.) Therefore, the Court finds that the "zone of reasonableness" for the value of a work used on a stamp is between \$1,500 and \$5,000. This one-time fee represents an amount that Mr. Gaylord would have received if the Postal Service had paid Mr. Gaylord to use his copyright, instead of using it without his permission. In assessing a fair damages award within this range, the Court gives weight to the fact that the Postal Service precluded any negotiations with Mr. Gaylord. Because the Government's infringement deprived Mr. Gaylord of the opportunity [*8] to negotiate with the Postal Service for compensation, the Court finds it appropriate to award Mr. Gaylord the highest amount within the zone of reasonableness. Mr. Gaylord has not presented any evidence to demonstrate that he suffered any further loss or reduction in copyright value because of Defendant's actions. Accordingly, the Court finds that "reasonable and entire compensation" for the Government's infringement

is \$5,000.

Plaintiff's counsel urges the Court to compute damages in a manner similar to a royalty on a patent infringement under [28 U.S.C. § 1498\(a\)](#). Using this method, Plaintiff argues that the Government owes him \$3,024,276.20 for the copyright infringement. To reach this amount, Plaintiff simply takes ten percent of the assumed revenue on the sale of approximately 86.8 million 37-cent stamps and related merchandise sales. Using a royalty rate to compute damages, however, is a method unique to patent infringement claims, and does not apply to copyright infringements. The royalty rate method stems from [35 U.S.C. § 284 \(2006\)](#). Title 35 of the United States Code is entitled "Patents," and [Section 284](#), "Damages," falls within Chapter 29, "Remedies for Infringement of Patent [*9] and Other Actions." Title 35 does not include copyright infringements. There is no provision in [28 U.S.C. § 1498\(b\)](#) or in [17 U.S.C. § 504](#) that would authorize the use of a royalty-based claim for copyright infringements.

Even if a royalty rate approach were permissible under [17 U.S.C. § 504](#) in limited circumstances, the Court concludes that a \$3 million royalty payment to Mr. Gaylord is not within the zone of reasonableness. Plaintiff's efforts to show that a royalty rate should apply are not credible. The uncontroverted testimony is that the Postal Service is prohibited by policy from paying a royalty for a stamp design. (McCaffrey, Tr. 588.) The loss to Mr. Gaylord from the Postal Service's infringement is the amount he would have received as a one-time fee in negotiations with the Postal Service. By awarding Mr. Gaylord \$5,000, the Court is granting him the highest amount the Postal Service has ever paid for the right to use a copyrighted image on a stamp.

Plaintiff also has claimed "pre-judgment interest from the date of the Complaint," but has not furnished any legal basis to the Court for the award of pre-judgment interest. (Pl.'s Supp. Br., Feb. 11, 2011, at 10.) Because a waiver [*10] of sovereign immunity must be explicit, a plaintiff may not recover interest on its claims against the United States unless specifically permitted by contract or an act of Congress. [Library of Congress v. Shaw, 478 U.S. 310, 317, 106 S. Ct. 2957, 92 L. Ed. 2d 250 \(1986\)](#). In a patent infringement claim, [35 U.S.C. § 284](#) provides for the recovery of "interest and costs as fixed by the court," but no comparable provision exists for copyright infringements in [17 U.S.C. § 504](#). The Court is not aware

of any statutory provision waiving the Government's sovereign immunity for the payment of interest on copyright infringements. Although some courts have allowed pre-judgment interest for equitable reasons in private copyright suits, see, e.g., [Frank Music Corp. v. Metro-Goldwyn-Mayer Inc.](#), 886 F.2d 1545 (9th Cir. 1989), cert. denied, 494 U.S. 1017, 110 S. Ct. 1321, 108 L. Ed. 2d 496 (1990), [Gorenstein Enterprises, Inc. v. Quality Care-USA, Inc.](#), 874 F.2d 431 (7th Cir. 1989), [Kleier Adver., Inc. v. Premier Pontiac, Inc.](#), 921 F.2d 1036, 1040-41 (10th Cir. 1990), sovereign immunity demands more than equity or fairness for a claim to succeed. [Entergy Nuclear Vermont Yankee v. United States](#), 95 Fed. Cl. 160, 197 (2010). While there may be no logical reason to award pre-judgment [*11] interest on patent infringement claims, but not on copyright infringement claims, this is an issue to be addressed by

the legislative branch. The Court's duty is to apply the law as it presently exists, not as it might exist in a perfect world. Accordingly, Plaintiff is not entitled to pre-judgment interest for copyright infringement.

Conclusion

Based upon the foregoing, the Court awards damages to Plaintiff of \$5,000. The Court directs the Clerk to enter judgment in favor of Plaintiff in that amount. No costs.

IT IS SO ORDERED.

/s/ Thomas C. Wheeler

THOMAS C. WHEELER

Judge

TAB 5

LEXSEE



Analysis

As of: Apr 27, 2011

INTERPLAN ARCHITECTS, INC., Plaintiff, v. C.L. THOMAS, INC., MORRIS & ASSOCIATES ENGINEERS, INC., AND HERMES ARCHITECTS, Defendant.

CIVIL ACTION NO. 4:08-cv-03181

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF TEXAS, HOUSTON DIVISION

2010 U.S. Dist. LEXIS 114306

October 27, 2010, Decided

October 27, 2010, Filed

PRIOR HISTORY: [Interplan Architects, Inc. v. C.L. Thomas, Inc., 2010 U.S. Dist. LEXIS 107941 \(S.D. Tex., Oct. 8, 2010\)](#)

CORE TERMS: drawing, architectural, summary judgment, registration, declaration, deposit, certificate, license, affirmative defenses, deposition testimony, infringement, architect--, floor plans, copyrighted, copyright infringement, deposition, ownership, food, Copyright Act, elevation, permission, personal knowledge, copying, block, expert opinion, stricken, actual damages, authorship, genuine, site

COUNSEL: [*1] For Interplan Architects, Inc., Plaintiff: Ira Phillip Domnitz, LEAD ATTORNEY, Khannan Suntharam, Winstead PC, Houston, TX; Louis K Bonham, LEAD ATTORNEY, Osha Liang L.L.P., Houston, TX.

For C.L. Thomas Inc., Defendant, Cross Defendant, Counter Claimant, Cross Claimant: Brock Cordt Akers, LEAD ATTORNEY, Phillips & Akers, Houston, TX.

For Morris and Associates, Engineers, Inc., Defendant, Cross Claimant, Cross Defendant: Jesus David Cabello, LEAD ATTORNEY, Wong Cabello et al, Houston, TX.

For Hermes Architects, Defendant: William T Green, III,

LEAD ATTORNEY, Attorney at Law, Houston, TX.

For Morris & Associates, Engineers, Inc., Cross Claimant: David J Cabello, LEAD ATTORNEY, Houston, Tx.

For Interplan Architects, Inc., Counter Defendant: Ira Phillip Domnitz, LEAD ATTORNEY, Khannan Suntharam, Winstead PC, Houston, TX.

JUDGES: KEITH P. ELLISON, UNITED STATES DISTRICT JUDGE.

OPINION BY: KEITH P. ELLISON

OPINION

MEMORANDUM AND ORDER

Pending before the Court are the following motions:

Filed by Interplan Architects, Inc. ("Plaintiff"):

1. Motion for Partial Summary Judgment for Infringement of Technical Drawings Copyrights (Doc. No. 108)
2. Motion for Partial Summary

Judgment (Ownership of Valid Architectural Works Copyrights [*2] (Doc. No. 110)

3. Motion for Partial Summary Judgment on Defendant's Affirmative Defenses (Doc. No. 111)

4. Objections to and Motion to Strike Defendant's Summary Judgment Evidence (Doc. No. 131)

5. Objections to and Motion to Strike Defendant's Summary Judgment Opposition Evidence (Doc. No. 143)

6. Motion for Discovery Sanctions Against Defendant C.L. Thomas, Inc. (Doc. No. 114)

Filed by C.L. Thomas, Inc. (the "Defendant" or "Defendant Thomas"): ¹

7. Motion for Summary Judgment (Doc. No. 104)

8. Motion to Dismiss for Lack of Subject Matter Jurisdiction All Claims Based on Unregistered Copyrighted Works (Doc. No. 119)

9. Motion to Dismiss for Lack of Standing All Copyrights Registered and Owned by Marcel Meijer, Individually (Doc. No. 119)

10. Motion to Strike Declaration of Marcel Meijer (Doc. No. 119)

11. Motion to Strike Exhibit V to Plaintiff's Opposition to Defendant's Motion for Summary Judgment (Doc. No. 138)

12. Motion to Strike Plaintiff's Motions for Summary Judgment (Doc. No. 155)

13. Motion for Sanctions Pursuant to [Rule 11](#) (Doc. No. 157)

14. Rule 54(d) Motion for Attorneys' Fees and Costs Under the Texas Theft Liability Act (Doc. No. 105)

¹ These motions were originally filed jointly [*3] by C.L. Thomas, Inc., Morris and Associates Engineers, Inc., and Hermes Architects, since all three were named as defendants in this case. The

Court understands that Morris & Associates Engineers, Inc. and Hermes Architects, Inc. have reached a settlement on the record with Plaintiff. As C.L. Thomas, Inc. still remains as a defendant in this case, the Court will treat these motions as pending and decide them. However, the Court will not decide the following motions filed individually by Morris and Associates Engineers, Inc. and Hermes Architects, and will deny them as moot:

Filed by Morris & Associates Engineers, Inc.:

1. Motion for Partial Summary Judgment on Plaintiff's DMCA Claims (Doc. No. 109)

Filed by Hermes Architects:

2. Motion for Summary Judgment on Plaintiff's Copyright Act Claim (Doc. No. 102)

3. Motion for Partial Summary Judgment (Doc. No. 101)

4. Motion for Order Regarding Joint & Several Liability (Doc. No. 103)

Upon considering the Motions, all responses thereto, and the applicable law, the Court finds that Plaintiff's Motion for Partial Summary Judgment for Infringement of Technical Drawings Copyrights (Doc. No. 108) should be denied, Plaintiff's Motion for Partial Summary Judgment (Ownership of Valid Architectural Works Copyrights (Doc. No. 110) should be denied, Plaintiff's Motion for Partial Summary Judgment on Defendant's Affirmative Defenses (Doc. No. 111) is granted in part and denied in part, Plaintiff's Objections to and Motion to Strike Defendant's Summary Judgment Evidence (Doc. No. 131) is granted in part and denied in part, Plaintiff's Objections to and Motion to Strike Defendant's Summary Judgment Opposition Evidence (Doc. No. 143) is granted in part and denied in part, Plaintiff's Motion for Discovery Sanctions Against Defendant C.L. Thomas, Inc. (Doc. No. 114) is denied, Defendant's Motion for Summary Judgment (Doc. No. 104) is granted in part and denied in part, Defendant's Motion to Dismiss for Lack of

Subject Matter Jurisdiction All Claims Based on Unregistered Copyrighted Works (Doc. No. 119) is denied, Defendant's Motion to Dismiss for Lack of Standing All Copyrights Registered and Owned by Marcel Meijer, Individually (Doc. No. 119) is denied, Defendant's Motion to Strike Declaration of Marcel Meijer (Doc. No. 119) is granted in part and denied in part, Defendant's Motion to Strike Exhibit V to Plaintiff's Opposition to Defendant's [*5] Motion for Summary Judgment (Doc. No. 138) is granted in part and denied in part, Defendant's Motion to Strike Plaintiff's Motions for Summary Judgment (Doc. No. 155) is denied, Defendant's Motion for Sanctions Pursuant to [Rule 11](#) (Doc. No. 157) is deferred, Defendant's Rule 54(d) Motion for Attorneys' Fees and Costs Under the Texas Theft Liability Act (Doc. No. 105) is deferred, Morris's Motion for Partial Summary Judgment on Plaintiff's DMCA Claims (Doc. No. 109) is denied as moot, Hermes's Motion for Summary Judgment on Plaintiff's Copyright Act Claim (Doc. No. 102) is denied as moot, Hermes's Motion for Partial Summary Judgment (Doc. No. 101) is denied as moot, and Hermes's Motion for Order Regarding Joint & Several Liability (Doc. No. 103) is denied as moot.

I. FACTUAL BACKGROUND

This case arises from alleged violations by Defendant of the Federal Copyright Act and the Digital Millennium Copyright Act ("DMCA"). Plaintiff is a company whose business involves architectural planning, architectural design, and preparation of architectural and construction documents, including, but not limited to, site plans, floor plans, exterior elevations, interior designs, and construction documents [*6] ("Architectural Documents"). Architectural Documents contain title blocks, which are areas on the document displaying information identifying the project, the company preparing the Architectural Documents, and information about the scope of the document.

Defendant Thomas designs and constructs convenience stores in south Texas called Speedy Stop. (Deposition of Carlton Labeff ("Labeff Depo.") at 19.) In early 2003, Defendant Thomas hired Plaintiff to design two Speedy Stop stores, No. 59 in Portland, Texas and No. 82 in Columbus, Texas. (Deposition of Marcel Meijer on November 16, 2009 ("Meijer I Depo.") at 33.) Plaintiff submitted proposals to Defendant Thomas describing the services it would provide in connection

with Store Nos. 59 and 82 (the "Design Proposals"). (Meijer I Depo. at 33, 38.) The Design Proposals contained language asserting Plaintiff's ownership of the Architectural Documents it prepared in connection with the projects, and limiting Defendant Thomas's ability to copy or distribute the plans without Plaintiff's permission. (Doc. No. 104, Exh. O at 49, 83.) The Design Proposals were never signed by Defendant Thomas. (Meijer Depo. I at 35, 38, 243)

During the design process [*7] for Store Nos. 59 and 82, Defendant Thomas provided Plaintiff with certain drawings it had prepared in-house as well as drawings and surveys from third-party consultants and vendors. (Labeff Depo. at 25, 73-74; Meijer I Depo. at 290-91; Deposition of Marcel Meijer on January 15, 2010 ("Meijer III Depo.") at 40-41.) However, the extent and content of Defendant Thomas's contribution to Plaintiff's Architectural Drawings is highly disputed.²

² Compare Labeff Depo. at 25-26 (stating that Defendant Thomas provided Plaintiff with CAD files of the floor plan and site plan, tear sheets, and photos for the design of Store No. 85); Labeff Depo. at 73-74 (stating that Defendant Thomas provided site plans and floor plans for Store Nos. 82 and 59 and later for Store Nos. 209 and 201); Labeff Depo. at 169 (stating that Defendant Thomas provided Plaintiff with elevation drawings) with Meijer I Depo. at 290-91 (stating that Defendant Thomas provided a "preliminary site plan"); Meijer III Depo. at 40-41 (for Store No. 59, Defendant Thomas provided only a topographic boundary survey, carwash location, gas island location, and store location on the site); Meijer III Depo. at 49-50 (stating that Plaintiff [*8] received a CAD file from Defendant Thomas that may have consisted of a vicinity map); Meijer III Depo. at 66 (acknowledging that Plaintiff always received boundary layouts from clients in order to know the configuration of the land).

Plaintiff was hired again by Defendant Thomas to provide architectural design services for Speedy Stop Store Nos. 209 and 201 in Austin, Texas. (Deposition of Marcel Meijer on January 4, 2010 ("Meijer II Depo.") at 386-87.) Plaintiff sent Design Proposals to Defendant Thomas dated October 14, 2003 for Store Nos. 209 and 201. (Doc. No. 104, Exh. O at 85-88.) Neither of these Design Proposals contained language asserting Plaintiff's

ownership of its Architectural Documents nor limiting Defendant's ability to use or distribute Plaintiff's drawings. (*Id.*) Only the Design Proposal for Store No. 201 was signed by Defendant Thomas (*Id.* at 86.) Once again, Defendant Thomas provided Plaintiff with certain drawings for inclusion in the design of Store Nos. 201 and 209. (Labeff Depo. at 74.)

Subsequently, in 2003 and 2004, Defendant Thomas hired Plaintiff to design five more Speedy Stop stores, specifically Store Nos. 85 (El Campo, Texas), 70 (Victoria, Texas), 216 [*9] (Austin, Texas), 206 (Austin, Texas), and 58 (Corpus Christi, Texas). (Meijer II Depo. at 387-89; Doc. No. 104, Exh. O at 68.) Again, Defendant Thomas provided Plaintiff with some drawings during the design process for at least some of these five stores. (Meijer III Depo. at 49.)

During the period in which Plaintiff and Defendant Thomas worked together, Plaintiff sent Defendant Thomas electronic and hard copies of its Architectural Drawings. Plaintiff's Architectural Drawings contained a title block and a "scope of the document" box.³ (Doc. No. 54 at ¶ 17.) The title block consisted of Plaintiff's name, logo, the project number, the project title, and the name of the client. (*Id.* at Exh. C.) The "scope of the document" box contained the following text:

"This drawing indicates the general scope of the project in terms of architectural design concept, the dimensions of the building, the major architectural elements and the type of structural, mechanical electrical systems [sic]. As scope documents, the drawings do not necessarily indicate or describe all work required for full performance and completion of the requirements of the Contract Documents. On the basis of the general scope indicated [*10] or described, the contractor shall furnish all items required for the proper execution and completion of the work. These drawings shall not be used for construction unless DATED and noted as ISSUED FOR CONSTRUCTION WORK.

The information, details and drawings shown by this document can not be reproduced, copied or photocopied in a

similar manner without the expressed written consent from the owner INTERPLAN ARCHITECTS, INC."

(*Id.* at Exh. D.) On November 5, 2003, Plaintiff sent Defendant Thomas a set of vellums corresponding to Plaintiff's Architectural Drawings for Store No. 201, unaccompanied by other documents restricting Defendant Thomas's use or distribution of the drawings (Meijer I Depo. at 65-66; Labeff Depo. at 75; Doc. No. 104, Exh. O at 113.)

3 Plaintiff claims in its Opposition to Defendant's Motion for Summary Judgment (Doc. No. 124) that the Architectural Drawings it sent to Defendant Thomas also contained a "copyright reserved" statement near the Interplan logo. However, Plaintiff does not refer to appropriate summary judgment evidence for this factual claim. Exhibits B-J to Doc. No. 110 purport to be copies of deposit material sent to the Copyright Office, not the Architectural [*11] Drawings sent to Defendant Thomas. Pages 8-9 of Doc. No. 64 and Paragraph 17 of Doc. No. 54 make no mention of the "copyright reserved" statement. Finally, Exhibits C and D to Doc. No. 54 only reproduce the title block and "scope of the document" text and do not reproduce the "copyright reserved" statement. On the basis of this evidence, the Court cannot conclude, in light of the many versions of drawings sent between Plaintiff and Defendant Thomas, that any set of Architectural Drawings sent to Defendant Thomas contained the "copyright reserved" statement.

In December 2003, Carlton Labeff, an employee at Defendant Thomas in charge of construction projects, requested from Marcel Meijer, Plaintiff's President, certain drawings that Plaintiff had prepared in connection with the Speedy Stop stores. (Meijer I Depo. at 309-10.) On December 12, 2003, Plaintiff sent a computer disc containing CAD files for Store No. 201 to Defendant Thomas that similarly lacked any accompanying restrictions on Defendant Thomas's use of the CAD files. (Doc. No. 104, Exh. O at 69.)

In February 2004, Jeff Johanson, Defendant Thomas's President and Chief Operating Officer, requested Plaintiff's Architectural Drawings [*12] from Mr. Meijer, who agreed to send Defendant Thomas some

of the drawings. (Meijer I Depo. at 310-12.) On February 2, 2004 and on October 1, 2004, Plaintiff sent Defendant Thomas vellum copies of its Architectural Drawings for Speedy Stop Store No. 85. In neither of these transmissions were the vellum copies accompanied by documents restricting Defendant Thomas's ability to use or distribute Plaintiff's Architectural Drawings to other parties. (Meijer I Depo. at 69-70; Labeff Depo. at 75; Doc. No. 104, Exh. O at 116, 118.)

On March 2, 2004, Plaintiff sent Defendant Thomas a computer disk containing a full set of electronic files and a set of vellum prints for Thomas's "use and records in the above referenced project [Store No. 85]." (Labeff Depo. at 76; Doc. No. 104, Exh. O at 70.) Plaintiff acknowledged, however, that this transmission did not contain any restrictions limiting Defendant Thomas's use of the electronic files. (Meijer I Depo. at 178-79.)

On November 9, 2004, Plaintiff again sent Defendant Thomas a computer disk containing CAD files for certain drawings related to Store No. 85. (Labeff Depo. at 76; Doc. No. 104, Exh. O at 59.) Along with computer disk, Plaintiff sent Defendant [*13] Thomas a confidentiality agreement (the "Confidentiality Agreement") in which it designated the drawings being sent to Thomas as "confidential information" and prohibited Thomas from using or authorizing any other person to use the drawings in connection with any other projects. (Doc. No. 104, Exh. O at 60-61.) However, the Confidentiality Agreement was never signed by Thomas. (*Id.* at 63.)

In November 2004, Defendant Thomas asked Plaintiff to provide architectural services for additional Speedy Stop stores. However, Plaintiff declined to provide these services, for reasons that are in dispute. (Labeff Depo. at 95.)

At some point in 2004, Defendant Thomas engaged Morris and Associates Engineers, Inc. ("Morris") to provide plans for Speedy Stop Store Nos. 301, 303, and 309. (Labeff Depo. at 36, 63-64.) Defendant Thomas's first telephone call with Morris occurred on July 1, 2004, with their first meeting taking place on July 21, 2004, and subsequent meetings on September 10, 2004 and September 16, 2004. (Deposition of William Morris ("Morris Depo.") at 110, 113; Labeff Depo. at 23, 33, 37.) Morris agreed to produce prototype plans for the Speedy Stop stores and gave Defendant Thomas a discount [*14] for providing "client-supplied drawings." (Morris Depo. at 121-24.)

Morris received electronic copies of certain architectural drawings from Defendant Thomas in AutoCAD file format. (Morris Depo. at 36-43.) The AutoCAD files provided to Morris by Defendant Thomas consisted of the "design criteria, floor plans and site plans" for Speedy Stop Store No. 85, a store that had been designed by Plaintiff, and contained Plaintiff's title block. (Doc. No. 108, Exh. G; Doc. No. 108, Exh. I at 5; Morris Depo. at 50.) Morris copied the electronic files containing Plaintiff's Architectural Drawings on to its computer server, and used them as the basis for its own Architectural Drawings. (Morris Depo. at 43-46, 50.) As it drafted its Architectural Drawings, Morris removed Plaintiff's title block from the AutoCAD files and inserted its own title block on the files. (Morris Depo. at 90.) Morris did not receive permission from Plaintiff to replace Plaintiff's title block on the Architectural Drawings with its own. (Morris Depo. at 90.)

Also in 2004, Defendant Thomas approached Hermes Architects ("Hermes") to design Speedy Stop Store No. 86. ⁴ (Deposition of William Daren Penewitt ("Penewitt Depo.") at [*15] 67.) Defendant Thomas also asked Hermes to take over the production of plans for Store No. 301 that were previously handled by Morris. (Labeff Depo. at 36.) Hermes was later hired to provide plans for other Speedy Stop stores and ultimately completed construction drawings for eleven Speedy Stop stores: Store Nos. 14, 86, 87, 91, 95, 102, 301, 302, 305, 306, 311. (Penewitt Depo. at 22.)

4 In 2002, Hermes had designed Speedy Stop Store No. 84 for Defendant Thomas, including the interior floor plan and exterior elevation. (Penewitt Depo. at 56-57, 59-64; Labeff Depo at 72.) After completing the design and production of documents for Store No. 84, Hermes did not design any more stores for Defendant Thomas until being approached again in 2004 for the design of Store No. 86. (Penewitt Depo. at 68.) Hermes completed the design of Store No. 84 in approximately January 2003. (Penewitt Depo. at 146-47.)

For at least some of these stores, Defendant Thomas furnished Hermes with AutoCAD files for a floor plan, an elevation, and a site plan that did not contain any title blocks. (Penewitt Depo. at 35.) On another occasion, Defendant Thomas sent Hermes a set of hard copy drawings containing Plaintiff's [*16] title block on them.

(Penewitt Depo. at 74; Doc. No. 101, Affidavit of Daren Penewitt ("Penewitt Aff.") at 1; Doc. No. 108, Exh. E at 2.) On yet another occasion, Hermes received from Defendant Thomas AutoCAD files containing Morris's Architectural Drawings in AutoCAD file format. (Penewitt Depo. at 74-75.) Hermes scanned the hard copies of Plaintiff's Architectural Drawings into its computer and saved them as electronic files on its computer server. (Penewitt Aff. at 1-2; Doc. No. 108, Exh. P.)⁵ Hermes used Plaintiff's Architectural Drawings in order to establish how Defendant Thomas liked its "sheets laid out." (Penewitt Depo. at 91). During the design process, Defendant Thomas verbally provided Hermes with feedback on the floor plans and elevation drawings, made revisions directly to AutoCAD files, and sent these revised files to Hermes. (Penewitt Depo. at 60-63.)

5 The set of hard copies of Plaintiff's Architectural Drawings that Hermes received from Defendant Thomas consists of four sheets while the set of electronic copies of Plaintiff's Architectural Drawings found on Hermes's computer server consists of eight sheets. (*Compare* Penewitt Aff., Exhs. A-D *with* Doc. No. 108, Exh. [*17] P.)

Defendant Thomas did not obtain authorization from Plaintiff to distribute copies of Plaintiff's Architectural Drawings to Morris and Hermes. (Labeff Depo. at 115.) Neither Morris nor Hermes received permission from Plaintiff to copy Plaintiff's Architectural Drawings onto their respective computer servers. (Penewitt Depo. at 96; Doc. No. 108, Exh. D at 10-11; Doc. No. 108, Exh. E at 6.)

In March 2006, Plaintiff's president, Marcel Meijer, discovered the existence of Speedy Stop stores that were based upon Plaintiff's Architectural Drawings, but which Plaintiff had not been involved in designing. (Meijer I Depo. at 22-23.) On June 22, 2006, Plaintiff's president, Marcel Meijer, wrote to Defendant Thomas about the potential infringement of Plaintiff's Architectural Works. (Meijer I Depo. at 24; Doc. No. 104, Exh. O at 89.) In his letter, Mr. Meijer sent a copy of Plaintiff's exterior building elevation and Morris's exterior building elevation and claimed that both were exactly alike. (Doc. No. 104, Exh. O at 89.) Mr. Meijer informed Defendant Thomas that it should not release electronic versions of Plaintiff's Architectural Drawings to any architectural

and/or engineering firm or [*18] any other entity without Plaintiff's permission. (*Id.*) Not long after, in June or July 2006, Mr. Meijer went to the offices of Morris to complain about Morris's use and copying of Plaintiff's Architectural Drawings. (Meijer I Depo. at 79; Morris Depo. at 61.)

Plaintiff subsequently submitted applications for copyright registration of "architectural works" copyrights and "technical drawings" copyrights within 5 years after the first publication of the works. (Doc. No. 108, Exh. H, Declaration of Marcel Meijer ("First Meijer Declaration"), Exhibit A.) The Copyright Office issued certificates of copyright registration for both "architectural works" and "technical drawings" for each of the nine stores on which Plaintiff provided architectural design services for Defendant Thomas: Store Nos. 58, 59, 70, 82, 85, 201, 206, 209, 216.⁶ (*Id.*) Thereafter, Plaintiff filed suit against Thomas, Morris, and Hermes, alleging that they infringed upon Plaintiff's copyrights in the nine Speedy Stop stores designed by Plaintiff (Store Nos. 58, 59, 70, 82, 85, 201, 206, 209, 216) by creating drawings and/or constructing thirteen other Speedy Stop stores (Store Nos. 14, 86, 87, 91, 95, 102, 301, 302, 303, [*19] 305, 306, 309, 311). (Doc. No. 54 at 12-13.) Plaintiff has asserted the following causes of action: (1) copyright infringement of its "architectural works" and "technical drawings" copyrights under [17 U.S.C. § 501\(a\)](#); (2) violation of integrity of copyright management information under the DMCA, specifically [17 U.S.C. § 1202](#); and (3) fraud.⁷ Defendant Thomas has asserted various defenses to Plaintiff's claims, including, among others, that it is a joint author of Plaintiff's Architectural Documents, that it was granted an implied nonexclusive license to copy and use Plaintiff's Architectural Documents, and that Plaintiff does not hold a valid copyright for architectural works and technical drawings.

6 Architectural works are protected by copyright law under two distinct provisions of the Copyright Act. First, section [§ 102\(a\)\(5\)](#) protects "pictorial, graphic, and sculptural works," which includes "technical drawings, including architectural plans." Second, in 1990, the Architectural Works Copyright Protection Act ("AWCPA") extended copyright protection to "architectural works" as a distinct new category of authorship. *See* [17 U.S.C. § 102\(a\)\(8\)](#). Architectural works are defined in [section 101](#) [*20] as the "design of a building as

embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features." [17 U.S.C. § 101](#). In order for a work to be protected as both an "architectural work" and a "technical drawing," it must be registered under both categories. See [37 C.F.R. § 202.11\(c\)\(4\)](#); [Nat'l Med. Care, Inc. v. Espiritu](#), 284 F. Supp. 2d 424, 434 (S.D. W.Va. 2003).

7 Plaintiff's claim of trade secret misappropriation was dismissed with prejudice by the Court by stipulation of Plaintiff and agreement by Defendant. (Doc. No. 71.)

II. EVIDENTIARY MOTIONS

Plaintiff and Defendant have filed a number of motions seeking to strike evidence submitted in support of each others' motions for summary judgment. Each of these evidentiary motions will be considered in turn below.

A. Legal Standard

In deciding motions for summary judgment, a court may consider pleadings, affidavits, depositions, motions, answers to interrogatories, stipulations and any other material properly before it. [Munoz v. Int'l Alliance of Theatrical Stage Emp.](#), 563 F.2d 205, 207 n.1 (5th Cir. 1977). [*21] "The admissibility of summary judgment evidence is subject to the same rules of admissibility applicable to a trial." [Resolution Trust Corp. v. Starkey](#), 41 F.3d 1018, 1024 (5th Cir. 1995) (citing [Munoz](#), 563 F.2d at 207 n.1). Affidavits submitted in support of or opposed to a motion for summary judgment must be made based on personal knowledge, state admissible facts, and show the affiant's competence to testify on the matters stated. [Fed. R. Civ. P. 56\(e\)\(1\)](#). Although "an unsworn affidavit is incompetent to raise a fact issue precluding summary judgment," [28 U.S.C. § 1746](#) provides a statutory exception to this rule by permitting "unsworn declarations to substitute for an affiant's oath if the statement contained therein is made 'under penalty of perjury' and verified as 'true and correct.'" [Nissho-Iwai American Corp. v. Kline](#), 845 F.2d 1300, 1306 (5th Cir. 1988) (quoting [28 U.S.C. § 1746](#)).

If an affidavit refers to any written material, a sworn

or certified copy of that material must be attached to or served with the affidavit. [Fed. R. Civ. P. 56\(e\)\(1\)](#); [Marshall v. Norwood](#), 741 F.2d 761, 764 (5th Cir. 1984). "This means that if written documents are relied upon they actually must be [*22] authenticated by and attached to an affidavit that meets the requirements of [Rule 56\(e\)](#), and the affiant must be a person through whom the exhibits could be admitted into evidence." [Nolla Morell v. Riefkohl](#), 651 F. Supp. 134, 140 (D.P.R. 1986).

An affidavit may be supplemented or opposed by depositions, interrogatories, or additional affidavits. [Fed. R. Civ. P. 56\(e\)\(1\)](#). "[A] party opposing a motion for summary judgment may proffer an affidavit to show the movant's deponents are not credible, thus raising a genuine issue of fact that must be tried by the jury." [Eisbach v. Jo-Carroll Electric Cooperative, Inc.](#), 440 F.2d 1171, 1174 (7th Cir. 1971).

B. Motion to Strike Declaration of Marcel Meijer (Doc. 119)

Defendant has moved to strike the declaration of Marcel Meijer, Plaintiff's President, which Plaintiff submitted in support of its motions for summary judgment (Doc. No. 108; Doc. No. 110.) Plaintiff's motions seek summary judgment on, among other things, ownership of valid copyrights in the technical drawings and architectural works at issue. In order to support its motions for summary judgment, Plaintiff submitted Mr. Meijer's declaration (the "First Meijer Declaration"), to which [*23] were attached: (a) copies of the certificates of registration issued by Copyright Office for the copyrights at issue, and (b) copies of deposit material submitted by Plaintiff to the Copyright Office in connection with the copyrighted works. (Doc. No. 108, Exh. H, First Meijer Decl.; Doc. No. 110, First Meijer Decl.)

Defendant claims that attachments B-J to the First Meijer Declaration do not accurately represent the deposit materials actually submitted by Plaintiff to the Copyright Office.⁸ (Doc. No. 119 at 9-10; Doc. No. 123 at 8-9.) Rather, Defendant argues that the deposit materials Plaintiff submitted to the Copyright Office actually consist of a smaller subset of drawings than what was attached to Mr. Meijer's declaration. For example, Defendant states that, of the sixty-three drawings that Mr. Meijer's declaration stated had been submitted to Copyright Office for Speedy Stop store No. 59, only

twenty-nine drawings were actually submitted. (Doc. No. 119, Cabello Decl., Exh. C at 2-4.) For the "technical drawing" and "architectural works" copyright registrations for Store Nos. 58, 70, 85, 201, 206, 209, and 216, Defendant claims that only two drawings--elevation and floor plans--were [*24] submitted to the Copyright Office for each type of registration rather than the larger set of drawings attached to the First Meijer Declaration and that Mr. Meijer claimed had been submitted. (Doc. No. 119, Cabello Decl., Exh. C at 2; Doc. No. 149, Suppl. Cabello Decl., Exh. A at 2-3.)

8 Defendant does not dispute, however, that the certificates of registration attached as Exhibit A to Mr. Meijer's declaration accurately reflect those issued by the Copyright Office.

After Defendant filed its motion to strike Mr. Meijer's declaration, Plaintiff submitted a corrected declaration of Mr. Meijer (the "Second Meijer Declaration"). (Doc. No. 154, Corrected Declaration of Marcel Meijer ("Second Meijer Decl."), Exh. A) In the Second Meijer Declaration, Mr. Meijer states that the First Meijer Declaration was signed under the belief that the deposit materials attached to it actually comprised the deposit materials submitted to the Copyright Office. He states that this belief was based on the fact that Plaintiff created a larger number of drawings than simply the exterior elevation and floor plan drawings that were submitted to the Copyright Office. Plaintiff argues that the discrepancy between the [*25] drawings attached to the First Meijer Declaration and the small number of drawings sent as deposit material to the Copyright Office does not implicate its claims of ownership or infringement, and therefore does not prejudice Defendant or otherwise affect the claims or defenses in this case. Defendant moves to strike the First Meijer Declaration on grounds that the best evidence rule requires the submission of certified copies of registration certificates and deposit materials, and that Mr. Meijer's declaration is false, misleading, and unreliable.

Defendant's best evidence rule objection misses the mark. Neither party appears to dispute that copies of the certificates of registration and copies of deposit materials are the best evidence to prove that Plaintiff registered certain copyrights and deposited certain drawings as mandated in the copyright registration process. Plaintiff's belief that copies of the certificates and deposit materials were the appropriate way to support its claims of

copyright ownership is what led it to submit those documents, via the First Meijer Declaration, to the Court. Neither do the parties dispute that [Rule 56\(e\)\(1\)](#) requires that certified or sworn copies [*26] of these materials must be attached to Mr. Meijer's affidavit. Rather, the parties essentially dispute whether copies of these documents are sufficiently certified through Mr. Meijer's declaration or whether copies certified by the Copyright Office should be submitted. This is a question of authentication under [Federal Rules of Evidence 901](#) and [902](#).

Unauthenticated documents are improper as summary judgment evidence. [King v. Dogan](#), 31 F.3d 344, 346 (5th Cir. 1994); [Duplantis v. Shell Offshore, Inc.](#), 948 F.2d 187, 192 (5th Cir. 1991). [Rule 901](#) provides that a document may be authenticated by "evidence sufficient to support a finding" that it is "what its proponent claims." [Fed. R. Evid. 901](#). While [Rule 901](#) does not require conclusive proof of authenticity, it requires at least some evidence sufficient to support a finding that the evidence in question is what the proponent claims it to be. See [United States v. Arce](#), 997 F.2d 1123, 1128 (5th Cir. 1993).

In order to authenticate public records such as the certificates and deposit materials, Plaintiff could provide "testimony that a matter is what it is claimed to be," [Fed. R. Evid. 901\(b\)\(1\)](#), or evidence that the certificates and deposit [*27] materials are obtained from the Copyright Office. [Fed. R. Evid. 901\(b\)\(7\)](#). Additionally, Plaintiff could submit self-authenticating copies of the certificates and deposit materials that have been certified by the Copyright Office. [Fed. R. Evid. 902\(4\)](#). Plaintiff chose to authenticate the copyright registration certificates and deposit materials by submitting the First Meijer Declaration as testimony stating that the certificates and deposit materials corresponded to those possessed by the Copyright Office. (Doc. No. 108, Exh. H, Meijer Decl.; Doc. No. 110, Meijer Decl.)

The Court agrees that Plaintiff has failed to properly authenticate the deposit material appearing as Exhibits B-J to the First Meijer Declaration. Plaintiff conceded in the Second Meijer Declaration that "deposit materials do not include the entirety of Exhibits B-J" to the First Meijer Declaration, but only "a subset of those documents." (Doc. No. 154, Second Meijer Declaration at ¶ 4). The Second Meijer Declaration did not purport to authenticate a correct set of deposit materials. Therefore,

the deposit materials attached as Exhibits B-J have not been authenticated through any means and must be stricken.

The Court [*28] next considers the certificates of registration appearing as Exhibit A to the First Meijer Declaration. The First Meijer Declaration meets the requirements of [Rule 56\(e\)](#) by certifying that the copies of the certificates attached to the declaration are "true and correct" and that this representation is based upon personal knowledge. Unlike the deposit materials, the Second Meijer Declaration does not concede that the certificates attached to the First Meijer Declaration are inaccurate copies of what was issued by the Copyright Office. Though Defendant attacks the entire First Meijer Declaration as false and misleading, it does not specifically note anything false or misleading about the certificates in Exhibit A to the First Meijer Declaration. Moreover, even though, as Defendant argues, copies of the certificates certified by the Copyright Office would be self-authenticating, [Rules 901\(b\)\(1\)](#) and [901\(b\)\(7\)](#) expressly allow Plaintiff to authenticate public records like the certificates of registration through testimony such as the First Meijer Declaration. The Court finds that Plaintiff has made a *prima facie* showing of authenticity of the certificates by attaching them to the First Meijer [*29] Declaration. The ultimate issue of authenticity is a question for the jury. See [United States v. Barlow, 568 F.3d 215, 220 \(5th Cir. 2009\)](#); [United States v. Guidry, 406 F.3d 314, 320 \(5th Cir. 2005\)](#).

Defendant's motion to strike the declaration of Marcel Meijer submitted in support of Plaintiff's motions for summary judgment is granted in part as to Exhibits B-J of the declaration and denied in part as to Exhibit A.

C. Motion to Strike Exhibit V to Plaintiff's Opposition to Defendant's Motion for Summary Judgment (Doc. 138)

Defendant Thomas moves to strike Exhibit V to Plaintiff's Opposition to Defendant's Motion for Summary Judgment⁹ on two grounds, each of which will be addressed separately below.

⁹ For purposes of clarity, the relevant documents are the following: Defendant's Motion for Summary Judgment (Doc. No. 104); Plaintiff's Opposition to Defendant's Motion for Summary Judgment (Doc. No. 124); and Defendant Thomas's Reply to Plaintiff's Opposition to

Defendant Motion for Summary Judgment and Motion to Strike Exhibit V (Doc. No. 138).

1. Exhibit V's statements about an Implied Nonexclusive License

Defendant claims, in its motion for summary judgment, that it is not liable for copyright [*30] infringement or DMCA violations because Plaintiff granted Defendant Thomas an implied nonexclusive license to copy or distribute Plaintiff's drawings. (Doc. No. 104 at ¶ 17.) As evidence of the existence of this license, Defendant cites certain deposition testimony of Mr. Meijer. A representative sample of the deposition testimony relevant to the motion to strike is the following:

"Q. And you recall the discussion that we saw your floor plan and it was your original work that was taken and used in these soil plans, yes?

A. To the best of my ability looking at this very bad illustration, it looks like it is my site plan. . . .

Q. Right. And what that means is that C.L. Thomas had taken your work and had given it to these soils people, these geotechnical experts, and they ended up taking that and including it in their plan without using any of your digital rights management?

. . .

A. The way you're placing the question, I have to answer yes.

Q. Okay. And that was okay with you because everyone was on the same -- on that same project, right?

A. It's okay with me because I'm being paid by my client to do this work.

. . .

Q. Right. And in the course of your daily work they had either an express license [*31] from you wherein you said it's okay for you to do that or an implied one that they did it; they sent it to you; and you never said anything about it, right?

. . .

A. If it is a project that I'm the architect of record and I'm being paid to work on, this is okay with me.

Q. Okay. So --

A. I am aware at some point.

Q. All right. That's the point. You're aware of and you are at a minimum implying the license of the use of your drawing there, right?

A. I disagree with the way you asked that question.

Q. Why?

A. Something about the license of that I'm implying. I'm trying to facilitate an exhibit only for the location of this project and this location only, at this piece of land, at this boundary condition in this city of Austin only; and that's acceptable to me, sir.

Q. Okay. And you never said to them - at least I haven't been able to find a document that says, You can only do it on this project?

A. No. I'm sure there's nothing.

...

A. Okay. An employee of C.L. Thomas called Joey Dunlap. He's requested this soil report. He gave them an exhibit that he has availability to or access to and the soil report man placed these three bores and there's the exhibit. . . .

...

Q. You gave permission, either [*32] expressly or by way of the implication of not objecting. Is that fair?

A. That would be a fair statement.

Q. And you never withdrew that permission as reflected there, did you?

A. Correct.

(Meijer Depo. III at 215-20.) Defendant points to portions of this deposition testimony as well as other deposition testimony¹⁰ as evidence that Plaintiff allowed Defendant Thomas to use and distribute Plaintiff's drawings and never limited Defendant Thomas's ability to do so. Plaintiff, in its opposition to Defendant's motion for summary judgment, argues that this deposition testimony reveals only Plaintiff's limited consent to allow the inclusion of its drawings into survey reports and other third-party drawings produced for the projects in which Plaintiff was involved, and does not show any intent of Plaintiff to allow its drawings to be used in completely different projects by rival architects. (Doc. No. 124 at

15.) Plaintiff attached to its opposition Exhibit V, an undated declaration of Mr. Meijer in which he states that he was not aware of and did not consent to Defendant Thomas's sharing of Plaintiff's construction plans with other architects or other parties not involved in the projects for [*33] which the plans were designed. (Doc. No. 124, Exh. V at ¶ 3.) Defendant now seeks to strike Exhibit V, Mr. Meijer's declaration, as an attempt to contradict his prior sworn deposition testimony without explanation.

10 See Mr. Meijer's deposition testimony cited in Defendant's Motion for Summary Judgment. (Doc. No. 104 at ¶¶ 18-19.)

The Court rejects Defendant's argument that Mr. Meijer's statements in Exhibit V contradict his prior deposition testimony. Mr. Meijer's deposition testimony at issue makes two key points. First, Mr. Meijer repeatedly states that any explicit or implied license to use Plaintiff's drawings was given only in relation to projects on which Plaintiff served as the architect. Nothing in Mr. Meijer's subsequent declaration contradicts this position. Second, Mr. Meijer states during the deposition that there are no signed documents that limit Defendant Thomas's ability to use Plaintiff's drawings to only Plaintiff's projects with Defendant Thomas. Again, nothing in Mr. Meijer's subsequent declaration contradicts Mr. Meijer's deposition testimony about the non-existence of documents. Rather, Mr. Meijer's declaration focuses on Mr. Meijer's ignorance of and lack of consent [*34] to Defendant Thomas's use of its plans and does not contradict his deposition testimony about the non-existence of documents. Defendant Thomas has not cited any deposition testimony, nor can the Court find any, in which Mr. Meijer states that he is aware of Defendant Thomas's provision of Plaintiff's drawings either to other architects or to third-parties not involved in Plaintiff's projects with Defendant Thomas. Even under a generous reading that Mr. Meijer's declaration is slightly at odds with his deposition testimony, this raises an issue of credibility rather than admissibility. See [Kennett-Murray Corp. v. Bone](#), 622 F.2d 887, 893 (5th Cir. 1980) ("In considering a motion for summary judgment, a district court must consider all the evidence before it and cannot disregard a party's affidavit merely because it conflicts to some degree with an earlier deposition.")

2. Exhibit V's Statements about License Fees

Defendant also seeks to strike Exhibit V because, in it, Mr. Meijer states that he would have charged Defendant Thomas \$25,000 for a license to use Plaintiff's drawings for each additional store or site. (Doc. No. 124, Exh. V, at ¶ 9.) Defendant claims that Exhibit V should be [*35] stricken because (1) this statement fails to set forth the proper measure of actual damages, and (2) gives testimony without cross-examination on an issue that Mr. Meijer was specifically asked about, but could not answer, during his deposition.

The Court agrees with Defendant that Mr. Meijer's statement in Exhibit V regarding the amount he would have charged Defendant Thomas as a license fee should be stricken because it sets forth an incorrect measure of actual damages, and is therefore irrelevant. [Section 504\(a\)](#) of the Copyright Act provides that a copyright owner may recover actual damages he or she suffers as a result of copyright infringement. [17 U.S.C. § 504\(a\)](#). Courts have construed the "actual damages" measure to include license fees that the copyright owner would have obtained for the infringer's use of the copyrighted material. See [On Davis v. The Gap, Inc., 246 F.3d 152, 165 \(2d Cir. 2001\)](#). "[W]here the infringer could have bargained with the copyright owner to purchase the right to use the work, actual damages are "what a willing buyer would have been reasonably required to pay to a willing seller for plaintiffs' work." [Jarvis v. K2 Inc., 486 F.3d 526, 533 \(9th Cir. 2007\)](#) [*36] (quoting [Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 772 F.2d 505, 512 \(9th Cir. 1985\)](#)). The license fee is determined by reference to fair market value, which is an objective analysis rather than a subjective analysis based on what the copyright owner would have charged.¹¹ [Mackie v. Rieser, 296 F.3d 909, 917 \(9th Cir. 2002\)](#); [On Davis, 246 F.3d at 166](#). Fair market value may be established where: "(1) a plaintiff demonstrates that he previously received compensation for use of the infringed work; or (2) the plaintiff produces evidence of benchmark licenses, that is, what licensors have paid for use of similar work." [Thornton v. J Jargon Co., 580 F. Supp. 2d 1261, 1276 \(M.D. Fla. 2008\)](#).

¹¹ Contrary to Plaintiff's argument, [Thoroughbred Software Int'l, Inc. v. Dice Corp., 488 F.3d 352, 358 \(6th Cir. 2007\)](#), does not support the principle that "actual damages" may be measured by what Plaintiff would have charged Defendant for a license. Rather, [Thoroughbred Software](#) states that actual damages

may be measured by what the plaintiff would have *received*, and approves of a calculation based on "the reasonable license fee on which a willing buyer and a willing seller would have *agreed* for [*37] the use taken by the infringer." [Id. at 358-59](#) (quoting [On Davis, 246 F.3d at 167](#)) (emphasis added).

Mr. Meijer's statement that he "would have charged [C.L. Thomas] a licensing fee of \$25,000 for each additional store or site" cannot alone establish the amount of actual damages to which Plaintiff is entitled. Mr. Meijer fails to represent that \$25,000 is the fair market value for a licensing fee. He does not claim that Thomas would have agreed to pay such a fee. Mr. Meijer does not state that \$25,000 is generally what he charges for a license fee for similar material or that he has ever received this amount as a license fee. Neither has Mr. Meijer produced evidence that this amount is what companies such as C.L. Thomas pay for use of commercial architectural plans. The license fee of \$25,000 appears to be nothing more than Mr. Meijer's subjective calculation. On its own, it is not a proper measure of Plaintiff's actual damages. The Court will strike the paragraph in Mr. Meijer's affidavit, but will consider the other portions of his affidavit. See [Mayfield v. Tex. Dep't of Crim. Justice, 529 F.3d 599, 607 \(5th Cir. 2008\)](#) (quoting [Aikin v. O-L Invs., 959 F.2d 521, 531 \(5th Cir. 1992\)](#) [*38] ("On a motion for summary judgment the district court should disregard only those portions of an affidavit that are inadequate and consider the rest.")). The Court grants Defendant's motion to strike Exhibit V as to Mr. Meijer's statement about licensing fees and denies the motion otherwise.

D. Plaintiff's Objections to and Motion to Strike Defendant's Summary Judgment Evidence (Doc. 131)

Plaintiff has objected to and moved to strike various summary judgment evidence submitted by Defendant.¹² Specifically, Plaintiff objects to portions of deposition testimony of Jeff Johanson, Carlton Labeff, Marcel Meijer, William Morris, William Daren Penewitt, Ismail Urfi, and portions of affidavits submitted by Jeff Johanson and William Daren Penewitt. Plaintiff cites to various rules of the Federal Rules of Evidence as the basis for its objections, but has not provided any argument to explain how the summary judgment evidence is objectionable on these grounds. Despite the difficulty in ascertaining why Plaintiff believes the

summary judgment evidence to be objectionable, the Court will grant Plaintiff's motion in part as to Mr. Labeff's opinions on the copyrightability of Plaintiff's architectural [*39] designs and technical drawings, Mr. Labeff's conclusions about derivative works, Mr. Meijer's testimony about violations of the DMCA, and Mr. Urfi's statements about Mr. Meijer's permission to use third-party drawings, and deny it otherwise.

12 Plaintiff's objections to and motion to strike is Doc. No. 131. According to Plaintiff, Defendant's motions containing the objectionable summary judgment evidence are Doc. Nos. 101, 102, 103, 104, 105, 106, 107, 109. The Court notes that Doc. No. 103, Hermes' Motion for Order regarding Joint and Several Liability, does not even contain any supporting evidence. Similarly, Doc. No. 106, Defendant's Motion to Exclude Opinions of Leonard Lane, does not contain as supporting evidence any of the deposition or affidavit testimony Plaintiff seeks to strike. Therefore, neither Doc. No. 103 nor Doc. No. 106 should be included among the motions containing objectionable summary judgment evidence.

1. Deposition Testimony of Jeff Johanson

Jeff Johanson is Defendant Thomas's President and Chief Operating Officer. Plaintiff objects to portions of Mr. Johanson's deposition testimony where he states that Speedy Stop, LLC, owns the real estate and land on which the [*40] Speedy Stop stores are located and that it, not Defendant Thomas, receives the revenue from the stores. This testimony is not objectionable on grounds of the best evidence rule because Mr. Johanson is not attempting to prove the existence or content of a writing. See [Fed. R. Evid. 1002](#); *R.R. Mgmt. Co. LLC v. CFS La. Midstream Co.*, 428 F.3d 214, 217 (5th Cir. 2005) (stating that [Fed. R. Evid. 1002](#) requires the original writing in order to prove the content of that writing, but [Fed. R. Evid. 1004](#) allows other evidence of the contents of the writing when the writing is not closely related to the controlling issue). Neither is Mr. Johanson's testimony speculative or without foundation. A review of Mr. Johanson's deposition testimony shows that, as the chief executive of Defendant Thomas, he was heavily involved in reviewing the revenues and expenses of the Speedy Stop stores and has personal knowledge of which entities receive which revenue. In addition, Mr. Johanson's testimony regarding the relationship between

Speedy Stop, LLC and C.L. Thomas was not undisclosed expert opinion because he was simply describing what he knows about the relationship and not offering any scientific, technical [*41] or other specialized knowledge. See [Fed. R. Evid. 702](#).

Mr. Johanson's testimony about the process by which the Speedy Stop store design was created is not objectionable on the grounds of speculation because a review of his deposition shows that he was involved in the design process and testified based on his personal knowledge. See [Fed. R. Evid. 602](#). Neither is this testimony objectionable on grounds of the best evidence rule as Mr. Johanson is not referring to the content of any writing. Finally, Mr. Johanson's testimony is not improper expert opinion because he simply describes the process by which Defendant Thomas arrived at a particular design.

2. Deposition testimony of Carlton Labeff

Mr. Labeff is in charge of Defendant Thomas's construction group. Plaintiff objects to portions of Mr. Labeff's deposition testimony in which he discusses Defendant Thomas's involvement in the design process for the Speedy Stop stores, the nature and scope of Defendant Thomas's in-house design work, his opinions regarding the copyrightability of architectural drawings, and Mr. Urfi's departure from Plaintiff.

None of the excerpts of Mr. Labeff's deposition testimony is inadmissible on the grounds of [*42] the best evidence rule because Mr. Labeff does not testify about the contents of a writing. At most, Mr. Labeff testifies about the process of generating a certain drawing or floor plan.

Mr. Labeff's deposition testimony regarding (a) Defendant Thomas's involvement in the design process with Plaintiff and Hermes, (b) the amount of design and drawing work done internally at C.L. Thomas, and (c) Mr. Meijer's statement that Plaintiff could no longer keep up with Defendant Thomas's projects are not inadmissible on grounds of speculation. A review of Mr. Labeff's deposition testimony shows that these statements are based on his personal knowledge. See [Fed. R. Evid. 602](#).

However, Mr. Labeff's opinions on the copyrightability of Plaintiff's architectural designs and technical drawings must be stricken as improper expert opinion. Mr. Labeff acknowledged that he does not have

any professional licenses and does not claim to be an expert on copyright law. (Labeff Depo. at 13-14.) Therefore, his opinions regarding the ownership of Plaintiff's drawings and architectural designs, and whether architectural designs in general should be copyrightable are improper as Mr. Labeff does not have the qualifications [*43] to render an opinion on these matters. See [Fed. R. Evid. 702](#). Mr. Labeff's agreement with the statement that Plaintiff's drawings were derived from Defendant Thomas's designs is an improper legal opinion to the extent that Mr. Labeff attempted to offer a legal conclusion regarding a derivative work under copyright law, but proper to the extent that Mr. Labeff was merely describing, based on his personal knowledge, the process by which Plaintiff arrived at its architectural design. See [Fed. R. Evid. 602, 704](#).

As to the final portion of deposition testimony to which Plaintiff objects, it is unclear whether Plaintiff objects on grounds of speculation to Mr. Labeff's statement that Mr. Meijer performed very little work in the design process, or to his statement that Mr. Urfi worked for Buckee's after leaving Plaintiff. A review of Mr. Labeff's deposition testimony does not reveal the personal knowledge upon which he based these statements. Regardless of whether the statements were based on Mr. Labeff's personal knowledge, they are irrelevant to any facts at issue in this case and therefore are inadmissible. See [Fed. R. Evid. 401, 402](#).

3. Deposition testimony of Marcel Meijer

Mr. Meijer testified [*44] in his deposition on November 16, 2009 about being furnished with third-party layouts from food service vendors, removing the names of architects and engineers on those layouts, and placing the layouts in Plaintiff's drawings. Mr. Meijer testified in his deposition on January 4, 2010 about whether a third-party's title block appeared on Plaintiff's drawings and whether removing a third-party's title block from a drawing and subsequently using the drawing in Plaintiff's own drawing is a violation of the DMCA. Finally, Mr. Meijer testified in his deposition on January 15, 2010 that he gave Defendant Thomas permission to use and to share Plaintiff's drawings with third-parties also working on the projects for which Plaintiff served as an architect, and that he never withdrew this permission.

Plaintiff's objections to this testimony on the basis of the best evidence rule miss the mark. Mr. Meijer is not testifying as to the content of the drawings, but as to

whether he received the third-party drawings and removed the name of any architect or engineer that appeared on the third-party drawings. Plaintiff also cannot object to this testimony on the grounds of leading questions because Mr. [*45] Meijer, as an adverse party to the Defendant, could be interrogated through use of leading questions by Defendant's attorneys. See [Fed. R. Evid. 611\(c\)](#). Finally, Mr. Meijer's testimony is neither speculative nor without foundation since Mr. Meijer's testimony about (a) the process by which Plaintiff generated its architectural designs and technical drawings, and (b) whether he granted permission to Defendant Thomas to share Plaintiff's drawings are based on his personal knowledge.

Mr. Meijer's statement about providing Defendant Thomas with permission to share Plaintiff's drawings with third-parties is not improper expert opinion because Mr. Meijer is providing information about his actions rather than any specialized, technical or scientific knowledge. See [Fed. R. Evid. 702](#). However, Mr. Meijer's statement about whether removal of a title block from an architectural drawing constitutes a violation of the DMCA is an improper legal opinion and must be stricken because it attempts to state a legal conclusion that is within the realm of the jury to decide. See [Fed. R. Evid. 704](#).

4. Deposition Testimony of William Morris

Mr. Morris is a civil engineer and the principal in charge of Morris. [*46] He testifies during his deposition about industry practice as it relates to use of prototype drawings in retail industry projects, circumstances in which notification of a prior engineer is required when using that engineer's drawings, ownership of drawings generally, and what constitutes reasonable diligence in ascertaining ownership of drawings.

Mr. Morris's opinions in this regard are not speculative. Mr. Morris's deposition testimony shows that he is testifying based on his personal knowledge, accumulated over years of work as a licensed professional engineer. Neither does Mr. Morris offer improper expert opinion or improper legal opinions. Mr. Morris is offering specialized knowledge of the process by which engineers receive prototypical plans from their clients, adapt those plans for a particular project, and the extent to which they are required to determine ownership of those plans. Mr. Morris's professional qualifications and experience in the industry appear to qualify him to

offer these types of opinions. In the portions of his deposition testimony objected to by Plaintiff, Mr. Morris is only testifying to general industry practice and not to the specific actions by the parties [*47] in this case. As such, he is not offering a legal conclusion about the parties' ownership of designs or drawings that would be within the realm of the jury to decide.

5. Deposition Testimony of William Daren Penewitt

William Daren Penewitt is a draftsman and project manager with Hermes. In his deposition testimony, Mr. Penewitt discusses the profitability of Hermes's projects for C.L. Thomas, the hope that working with C.L. Thomas would eventually lead to profits, his conversation with Mr. Labeff about why C.L. Thomas needed a new architect, and the completion date of some of Hermes's drawings.

Mr. Penewitt's testimony on all of these issues is not speculative since it is based on upon his personal knowledge. Mr. Penewitt states that he created 95 percent of all the documents prepared by Hermes for Defendant Thomas. (Penewitt Depo. at 24.) In addition, Mr. Penewitt served as the main contact person at Hermes Architects for Defendant Thomas. (Penewitt Depo. at 115.)

Neither does the best evidence rule affect Mr. Penewitt's testimony. Mr. Penewitt testifies about the dates by which certain documents were completed and the overall state of Hermes's profitability. On neither of these issues [*48] is Mr. Penewitt testifying as to the content of a writing. *See Fed. R. Evid. 1002.*

Finally, it is difficult for the Court to evaluate Plaintiff's hearsay objection because Plaintiff has not identified how Defendant has used Mr. Penewitt's testimony in its motions. Mr. Penewitt testifies, in response to a question about why Hermes was hired by Defendant Thomas, that Mr. Labeff told him that Thomas's current architect couldn't handle the workload given to him. To the extent that Defendant cites Mr. Penewitt's testimony for either the fact that Mr. Labeff made such a statement or that Plaintiff could not handle Defendant Thomas's workload, the Court will disregard it.

6. Deposition Testimony of Ismail Urfi

Ismail Urfi is a former employee of Plaintiff and

worked as a draftsman on many of Plaintiff's projects for Defendant Thomas. Mr. Urfi testifies in his deposition about whether Mr. Meijer had permission to use certain third-party and prototype drawings, and the similarity between Plaintiff's drawings and Quik Trip's floor plan.

Mr. Urfi's testimony about whether Mr. Meijer had permission to use third-party and prototype drawings should be stricken as speculative. Mr. Urfi's deposition shows [*49] that he had no personal knowledge of Mr. Meijer's interactions with third parties. (Urfi Depo. at 177.)

Mr. Urfi's testimony about whether Plaintiff's drawing looks the same as Quik Trip's floor plan is admissible. He is not speculating about the similarity, but basing his testimony on a comparison of the drawings. In addition, he is not providing expert testimony in the form of specialized or technical knowledge, but offering a lay witness opinion based on his perception about the two drawings. *See Fed. R. Evid. 701.* Finally, Plaintiff's best evidence objection is not well-founded because Plaintiff's drawing and Quik Trip's floor plan are part of the summary judgment record. *See Fed. R. Evid. 1002.*

7. Affidavit of Jeff Johanson

Mr. Johanson submitted an affidavit in support of Defendant's Motion for Summary Judgment (Doc. No. 104). In his affidavit, Mr. Johanson testified regarding conversations he had with Mr. Meijer about Plaintiff's services, the process by which the Speedy Stop design was created, and Defendant Thomas's working relationship with Plaintiff.

None of Mr. Johanson's statements is inadmissible on the grounds of best evidence. In his affidavit, Mr. Johanson does not refer [*50] to the contents of any writing except those of the Confidentiality Agreements. Even then, Mr. Johanson doesn't testify to the actual language of the Confidentiality Agreements, but only makes the point that the terms contained therein were ones that Defendant Thomas had never seen or agreed upon.

Neither are Mr. Johanson's statements speculative. Mr. Johanson clearly states that he worked personally with Mr. Meijer on Plaintiff's projects with Defendant Thomas and had conversations with Mr. Meijer directly about Plaintiff's work. Therefore, Mr. Johanson's statements are based upon his personal knowledge.

Finally, Mr. Johanson's statements are not improper expert opinion. He does not offer specialized or technical knowledge about the construction or architectural design process. Rather, he offers first-hand knowledge of how Defendant Thomas designed and built the Speedy Stop stores at issue in this case and how Defendant Thomas interacted with Plaintiff to that end.

8. Affidavit of Daren Penewitt¹³

13 "Daren Penewitt" is the same person as "William Daren Penewitt," the civil engineer for Hermes Architects.

Plaintiff objects to the portions of Mr. Penewitt's affidavit where he states that [*51] Hermes did not receive any electronic copies or CAD drawings with Plaintiff's title block and that it did not remove or alter Plaintiff's title block from any drawing, electronic or hard copy. Plaintiff also objects to Mr. Penewitt's statements that Hermes did not provide the hard copy drawings it received from Defendant Thomas to any third party, and that the hard copy drawings were only to see how Defendant Thomas wanted its drawings laid out and did not serve as the starting point for Hermes's work.

Plaintiff's best evidence rule objection is not applicable here. Most of Mr. Penewitt's statements do not testify as to the content of any drawing. To the extent that Mr. Penewitt makes a claim about whether Plaintiff's title block was present on a document, these documents have been attached to his affidavit and made a part of the summary judgment record.

Plaintiff next objects to nine different statements in Mr. Penewitt's affidavit on the grounds that they contradict his prior sworn deposition testimony. However, Plaintiff fails to identify the deposition testimony contradicted by these nine different statements. After reviewing the declaration and deposition testimony submitted in [*52] support of Defendant's motions, the Court concludes there is no contradiction that would prove fatal to the declaration's admissibility.

E. Plaintiff's Objections to and Motion to Strike Defendant's Summary Judgment Opposition Evidence (Doc. 143)

Plaintiff objects to and moves to strike certain deposition testimony and affidavits that Defendant cites in its opposition to Plaintiff's motions for summary

judgment. Specifically, Plaintiff objects to portions of deposition testimony of Marcel Meijer, William Morris, Greg Mitchell, Ismail Urfi, portions of affidavits submitted by Jeff Johanson and J. David Cabello, and portions of an expert report of Jeff Johanson. Once again, Plaintiff cites to various rules of the Federal Rules of Evidence as the basis for its objections, but does not provide any argument as to why the summary judgment evidence is objectionable on these grounds. The Court will grant Plaintiff's motion in part as to Mr. Meijer's testimony about violations of the DMCA and Mr. Morris's testimony about the originality of Plaintiff's drawings, and deny it otherwise. The reasons are set forth below.

1. Deposition Testimony of Marcel Meijer

Plaintiff objects to portions of Mr. Meijer's [*53] deposition testimony where Mr. Meijer (a) acknowledges that certain errors in Plaintiff's profit and loss statement would affect the calculation of Plaintiff's profitability and may make such statements unreliable, (b) admits that he saw plans for only one store designed by Hermes (Store No. 301) prior to litigation and that Plaintiff's claim against Hermes is based upon that store, and (c) opines on whether removal of a title block constitutes a violation of the DMCA.

As an initial matter, all of Plaintiff's objections based on leading questions are misplaced because, as an adverse party, Defendant's counsel can interrogate Mr. Meijer using leading questions. *See Fed. R. Evid. 611(c)*.

None of Plaintiff's objections to Mr. Meijer's testimony about Plaintiff's profitability statements is well-founded. First, the best evidence rule is inapplicable here. Mr. Meijer's testimony about the errors in Plaintiff's profit and loss statements focus not on the content of those statements and errors but rather on whether Mr. Meijer would rely upon those statements if they contained errors. Second, though Mr. Meijer is responding to hypothetical questions, Plaintiff has failed to explain why his responses [*54] are not based on personal knowledge or are otherwise improper expert opinion. The Court declines to strike these statements.

Plaintiff's objections to Mr. Meijer's testimony about the factual basis of his claims against Hermes are unfounded. Mr. Meijer's testimony to this effect is based on his personal knowledge that he only remembers viewing one set of plans from Hermes prior to filing suit

against Defendant. He acknowledges that, therefore, his claims against Hermes are based on this store's set of plans. This testimony does not purport to offer any specialized, technical or scientific knowledge and cannot be characterized as expert opinion.

Plaintiff's objections to Mr. Meijer's testimony about title block removal and the DMCA, while not speculative, are correct in identifying it as improper expert opinion. Mr. Meijer does not have any special expertise in copyright law that would allow him to define violations of the DMCA and whether removal of title blocks is proscribed by the DMCA.

2. Deposition Testimony of William Morris

Mr. Morris offers a number of opinions about the creativity, functionality, uniqueness, and originality of elements within a convenience store and its general [*55] layout, both with respect to Plaintiff's drawings specifically and convenience stores generally. Plaintiff objects to these opinions on grounds that they are improper expert opinion, speculation, and do not conform to the best evidence rule.

The best evidence rule is inapplicable to Mr. Morris's statements, which do not refer to the content of any architectural plans but rather characterize certain elements as unique, original, creative, or functional elements and make conclusions about similarities between the plans. Neither of Mr. Morris's statements is speculative. He speaks based on his personal knowledge of the plans he developed for Defendant Thomas, his review of Plaintiff's drawings, his comparison of various floor plans, and the general knowledge of the convenience store industry he has developed over the years working in retail store construction. Finally, Mr. Morris's statements are not improper expert opinion because he has sufficient professional expertise to offer his observations regarding the elements of a convenience store, whether these elements are unique, creative or functional, whether these elements are commonly found in convenience stores, and whether Plaintiff's [*56] drawings are similar to those of other architects.

To the extent that Mr. Morris offers legal conclusions about the originality of Plaintiff's drawings, these statements will be stricken as improper legal opinions. See [Fed. R. Evid. 704](#).

3. Deposition Testimony of Greg Mitchell

Plaintiff objects to two portions of the deposition testimony of Greg Mitchell, one of Defendant Thomas's technical experts. First, Plaintiff objects to Mr. Mitchell's statement that his testimony is necessary to assist the jury to analyze the layout and functionality of the floor plans. Plaintiff claims that this statement is improper expert opinion, undisclosed expert opinion, and speculation. This portion of Mr. Mitchell's testimony is not expert opinion because, in it, he does not express any technical or specialized knowledge. He only states his opinion as to why his knowledge would be relevant or helpful to the trier of fact. Neither is this statement speculative. Mr. Mitchell is making a claim for the relevance of his testimony based on his personal knowledge of the convenience store industry and the details of how layouts of convenience stores are arranged.

Second, Plaintiff objects to Mr. Mitchell's statement [*57] that he makes the floor plan of his own convenience store chain, Toot 'n Totum, as identical to that of Quik Trip as he can. Contrary to Plaintiff's arguments, this statement is not improper or undisclosed expert opinion because Mr. Mitchell is not expressing any technical or specialized knowledge about his store's floor plan or Quik Trip's floor plan. He explains, based on his personal knowledge, that he has made his own company's floor plans as similar as possible to another company's floor plans for reasons of functionality.

4. Deposition Testimony of Ismail Urfi

Plaintiff objects to Mr. Urfi's testimony that he did not offer any creativity in generating the floor plan or elevation and that he did not consider himself the author of these drawings. Mr. Urfi's testimony is not speculative since it is based on his personal knowledge of the work that he performed in drafting the Speedy Stop store drawings. The questions posed to Mr. Urfi are not objectionable due to their leading nature because Mr. Urfi was being questioned by counsel for Defendant. Finally, Mr. Urfi's statements are not expert opinion because he is not providing any expert or technical knowledge, but only his perception [*58] of whether he came up with the ideas for the Speedy Stop store layouts and elevations or contributed creative ideas.

5. Expert Report and Supplemental Expert Report of Jeff Johanson

Plaintiff objects to Mr. Johanson's opinions about the primary factors in the Speedy Stop stores' profitability,

his belief that store layout and design do not affect customer's buying decisions, and that the allegedly infringing stores' profit and loss statements show a loss of \$4 million dollars through December 31, 2009. As discussed more fully in the Court's Memorandum and Order dated October 9, 2010 (Doc. No. 175), Mr. Johanson's statements on these issues are proper expert opinions that are based on his extensive professional experience as an executive of a convenience store chain and his personal knowledge of Speedy Stop's operations. In addition, Mr. Johanson's statements about the factors that affect store profitability, rather than quantitative assessments of each factor's specific effect upon profits, are permissible. These types of statements do not purport to prove the content of any writing and therefore are not objectionable under the best evidence rule. Mr. Johanson's statements about the [*59] loss reflected on the allegedly infringing stores' profit and loss statements are also not objectionable because, to the extent these statements are inadmissible, Mr. Johanson is allowed to rely on inadmissible evidence as a basis for his expert report. See [Fed. R. Evid. 703](#).

6. Affidavit of Jeff Johanson

Mr. Johanson's affidavit contains several statements to which Plaintiff has objected, including his description of conversations with Mr. Meijer, the practice of using "go-bys," the genesis of Plaintiff's elevation as Hermes' elevation for Store No. 84, and Defendant Thomas's provision of the stores' elevation concept and floor plans to Plaintiff.

Mr. Johanson's statements that Defendant Thomas provided Plaintiff with the ideas for the elevation and floor plan, and that the elevation concept came from Defendant Thomas, are not objectionable on grounds of expert opinion, speculation or best evidence rule. Mr. Johanson makes these statements based on his personal knowledge of Defendant Thomas's and Plaintiff's working relationship, does not refer to the contents of any writing, and does not purport to offer any specialized or technical knowledge. Plaintiff does not explain how these statements [*60] constitute hearsay. Accordingly, the Court declines to strike these statements.

As for Mr. Johanson's statements regarding his conversations with Mr. Meijer and the use of Plaintiff's drawing as "go-bys," these are not improper expert opinion or speculation as they are based on Mr. Johanson's personal knowledge of his conversations with

Mr. Meijer and do not offer any specialized or technical knowledge. These statements are also unobjectionable on best evidence grounds because they do not refer to the contents of a writing. Plaintiff does not explain how these statements constitute hearsay or how they represent an improper attempt to use an affidavit. The Court declines to strike these statements.

7. Affidavit of J. David Cabello

Plaintiff objects to the declaration of J. David Cabello, attorney for Morris, on several grounds. First, to the extent that Plaintiff objects on grounds of the best evidence rule and hearsay, Mr. Cabello attaches copies of the certified copies of the copyright registration certificates and deposit materials he has received from the Copyright Office for the relevant Speedy Stop stores. These documents are what the Court will examine to determine the exact nature [*61] of the certificates of registration and deposit materials; Mr. Cabello's statements regarding these documents will not be stricken. Next, a foundation for Mr. Cabello's statements about the certificates and deposit materials has been properly laid through a description of the process by which Mr. Cabello and his associate personally requested and obtained the documents. Mr. Cabello's statements will not be stricken on grounds of speculation and lack of foundation.

Finally, Plaintiff objects to the certificates, deposit material, and correspondence between Mr. Cabello's law firm and the Copyright Office that have been attached to Mr. Cabello's declaration on the grounds that these were untimely produced. However, Plaintiff fails to explain in its motion to strike why Defendant had an obligation to produce these documents. After reviewing the numerous other briefs filed by Plaintiff, the Court has found Plaintiff's argument in Doc. No. 139 that Defendant was obligated to produce these documents under the Federal Rules of Civil Procedure and this Court's previous order dated February 25, 2010 (Doc. No. 93). The Court's order makes clear that Defendant were required to disclose the factual [*62] bases for their affirmative defenses so that Plaintiff could request further documents if necessary during the discovery period. However, the copyright registration certificates and deposit materials are relevant to Plaintiff's claim that it owned valid copyrights, rather than Defendant's affirmative defenses. "A certificate of registration, if timely obtained, is *prima facie* evidence both that a copyright is valid and that the registrant owns

the copyright." *Gen. Universal Sys., Inc. v. Lee*, 379 F.3d 131, 141 (5th Cir. 2004). A defendant may rebut the presumption of validity by showing errors in the registration. See *Berg v. Symons*, 393 F. Supp. 2d 525, 539 (S.D. Tex. 2005). Defendant here was not required to produce the certificates or deposit material they obtained from the Copyright Office until Plaintiff had attempted to establish that it owned a valid copyright by submitting copies of these same documents. Further, Defendant's method and manner of rebutting Plaintiff's evidence are proper. Rule 56(e)(1) provides that an affidavit from one party may be opposed by affidavits from another party. "[A] party opposing a motion for summary judgment may proffer an affidavit to show the [*63] movant's deponents are not credible, thus raising a genuine issue of fact that must be tried by the jury." *Eisbach v. Jo-Carroll Electric Cooperative, Inc.*, 440 F.2d 1171, 1174 (7th Cir. 1971). Defendant has proceeded by the method contemplated by the Rules of Civil Procedure and has not violated the Court's prior order.

III. MOTIONS TO DISMISS

Before the Court are Defendant's motion to dismiss for lack of subject matter jurisdiction all of Plaintiff's claims based on unregistered works (Doc. No. 119) and Defendant's motion to dismiss for lack of standing all claims based on copyrights registered and owned by Marcel Meijer, individually (Doc. 119). The Court denies both motions as explained below.

A. Motion to Dismiss Standard

The court must dismiss a case when Plaintiff fails to establish subject matter jurisdiction. *Fed. R. Civ. P. 12(b)(1)*. "It is incumbent on all federal courts to dismiss an action whenever it appears that subject matter jurisdiction is lacking." *Stockman v. Federal Election Comm'n*, 138 F.3d 144, 151 (5th Cir. 1998). A case is properly dismissed for lack of subject matter jurisdiction when the court lacks the statutory or constitutional power to adjudicate the case. [*64] *Home Builders Ass'n of Mississippi, Inc. v. City of Madison, Miss.*, 143 F.3d 1006, 1010 (5th Cir. 1998) (internal quotation marks and citation omitted). "Because standing goes to the constitutional power of a federal court to entertain an action, [a] court has a duty to address it." *James v. City of Dallas*, 254 F.3d 551, 562 (5th Cir. 2001). The burden of establishing federal jurisdiction rests on the party seeking the federal forum. *Stockman*, 138 F.3d at 151.

B. Motion to Dismiss Claims Based on Unregistered Works

Defendant argues that Interplan has failed to invoke the Court's subject matter jurisdiction insofar as Interplan's claims for copyright infringement rest on drawings that have not been registered or deposited with the Copyright Office. Plaintiff responds by stating that the registration requirement of *17 U.S.C. § 411(a)* is not a jurisdictional bar for bringing suit for copyright infringement.

It is clear that this Court possesses subject matter jurisdiction over copyright infringement claims under *28 U.S.C. § 1331* (conferring subject matter jurisdiction over questions of federal law) and *28 U.S.C. § 1338* (conferring subject matter jurisdiction over claims arising under the [*65] Copyright Act). However, *section 411* of the 1976 Copyright Act imposes a requirement of copyright registration as a precondition to filing a copyright infringement claim. *17 U.S.C. § 411(a)*. The Supreme Court has held that registration requirement imposed by *17 U.S.C. § 411* is not jurisdictional in nature, but rather a "claims-processing rule." See *Reed Elsevier v. Muchnick*, 559 U.S. ___, 130 S. Ct. 1237, 1248, 176 L. Ed. 2d 18 (2010). Therefore, the Court denies Defendant's motion to dismiss for lack of subject matter jurisdiction all claims of infringement of Plaintiff's unregistered works.

C. Motion to Copyrights Registered by Marcel Meijer, Individually

Defendant argues that Plaintiff does not have standing to bring copyright infringement claims based on Speedy Stop stores no. 58 and 59 because these copyrights have been registered to Marcel Meijer, individually, who is not a plaintiff in this action.¹⁴ The Court understands Plaintiff to be making two arguments in response. First, Plaintiff argues that it has always been the original owner and copyright claimant, notwithstanding Mr. Meijer's listing on the copyright certificates as copyright author and claimant, because Mr. Meijer created these works [*66] on behalf of Interplan. This argument seems to attribute Mr. Meijer's authorship to Plaintiff through the "work for hire" doctrine. Second, Plaintiff argues that, to the extent that Mr. Meijer rather than Plaintiff is the copyright author and owner, Defendant cannot raise the issue of standing because Mr. Meijer and Plaintiff do not have a dispute over copyright ownership.

14 As an initial matter, there are only three copyrights at issue where Mr. Meijer is listed individually as the copyright author and claimant: (1) Speedy Stop Store No. 58's technical drawing copyright (VA 1-368-557) (Doc. No. 108, Exh. B at 22-23.); (2) Speedy Stop Store No. 59's architectural work copyright (VA 1-368-553) (Doc. No. 108, Exh. B at 6-7.); and (3) Speedy Stop Store No. 59's technical drawing copyright (VA 1-368-552) (Doc. No. 108, Exh. B. at 24-25.) A fourth copyright (Speedy Stop No. 58's architectural work copyright VA 1-368-556) does list Mr. Meijer individually as copyright author and claimant, but Plaintiff has submitted a subsequent registration certificate for the same store's architectural work copyright that lists Plaintiff as the copyright author and claimant. Therefore, the Court will only [*67] treat the three copyrights--Store No. 58's technical drawing copyright and Store No. 59's technical drawing and architectural works copyrights--as the ones where Plaintiff potentially lacks standing.

The Court agrees with Plaintiff's first argument and need not reach the second one. [Section 501](#) of the Copyright Act limits the availability of a cause of action for copyright infringement to the "legal or beneficial owner of an exclusive right under a copyright." [17 U.S.C. § 501\(b\)](#). Copyright ownership vests "initially in the author or authors of the work." [17 U.S.C. § 201\(a\)](#). An "author" is generally the "party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to a copyright protection." [Community for Creative Non-Violence v. Reid](#), 490 U.S. 730, 737, 109 S. Ct. 2166, 104 L. Ed. 2d 811 (1989). However, in a "work for hire" situation, an entity other than the actual creator is considered the author and owner of the copyright. A "work made for hire" includes "(1) work prepared by an employee within the scope of his or her employment." [17 U.S.C. § 101](#). Mr. Meijer clearly states that he is an employee of Plaintiff for purposes of determining ownership of the architectural [*68] drawings. (Doc. No. 139, Exh. A at 2-3.) In addition, Mr. Meijer wrote a letter to the United States Copyright Office in which he states that he had created the works as an "officer" of Interplan Architects. (Doc. No. 124, Exh. L at 3-4.) Therefore, Plaintiff can be deemed the author and owner of the three copyrights under the "work for hire" doctrine. Since copyright registration is not a jurisdictional prerequisite to filing

suit for copyright infringement, Plaintiff's failure to obtain corrected certificates of registration listing it as copyright claimant does not deprive this Court of jurisdiction.

IV. MOTIONS FOR SUMMARY JUDGMENT

Plaintiff Interplan has moved for summary judgment on its ownership of valid architectural works copyrights (Doc. No. 110), on the infringement of its technical drawings (Doc. No. 108), and on Defendant's affirmative defenses (Doc. No. 111). Defendant has crossmoved for summary judgment on numerous grounds, including joint authorship, the existence of an implied nonexclusive license, statute of limitations, lack of damages, and lack of fraud (Doc. No. 104). Each ground asserted in support of summary judgment is analyzed below.

A. Legal Standard for Summary [*69] Judgment

A motion for summary judgment requires the Court to determine whether the moving party is entitled to judgment as a matter of law based on the evidence thus far presented. [Fed. R. Civ. P. 56\(c\)](#). Summary judgment is proper "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." [Kee v. City of Rowlett](#), 247 F.3d 206, 210 (5th Cir. 2001) (quotations omitted). A genuine issue of material fact exists if a reasonable jury could enter a verdict for the non-moving party. [Crawford v. Formosa Plastics Corp.](#), 234 F.3d 899, 902 (5th Cir. 2000). The party moving for summary judgment must demonstrate the absence of a genuine issue of material fact but need not negate the elements of the nonmovant's case. [Exxon Corp. v. Oxxford Clothes, Inc.](#), 109 F.3d 1070, 1074 (5th Cir. 1997). If the movant meets this burden, then the nonmovant is required to go beyond its pleadings and designate, by competent summary judgment evidence, the specific facts showing that there is a genuine issue for trial. *Id.* The [*70] Court views all evidence in the light most favorable to the non-moving party and draws all reasonable inferences in that party's favor. *Id.*

B. Defendant's Motion to Strike Interplan's Motions for Summary Judgment (Doc. No. 155)

Before the Court turns to the substance of the parties' motions for summary judgment, it must first address

Defendant's motion to strike Plaintiff's motions for summary judgment. Defendant states that Plaintiff's motions for summary judgment (Doc. Nos. 108, 110) are supported by the First Meijer Declaration. Defendant argue that, since the First Meijer Declaration incorrectly represents the deposit material on file with the Copyright Office, it should be stricken. Consequently, Defendant maintains, Plaintiff's motions for summary judgment are without supporting evidence and should also be stricken. Plaintiff responds by stating that any inaccuracies in Mr. Meijer's declaration are immaterial and are cured by the Second Meijer Declaration.

The Court denies Defendant's Motion to Strike Plaintiff's motions for summary judgment. First, the Court has already ruled on Defendant's Motion to Strike Mr. Meijer's declaration in Part II.B, above. The Court has stricken exhibits [*71] B-J (copies of deposit materials) to the First Meijer Declaration, but has not stricken exhibit A (copies of certificates of copyright registration) to the declaration. Plaintiff's motions for summary judgment remain supported by evidence in the form of copies of the copyright registration certificates issued by the Copyright Office.

Second, Plaintiff has not improperly altered the remaining summary judgment evidence. The Second Meijer Declaration does not modify the First Meijer Declaration's representation that Exhibit A to the First Meijer Declaration consists of the "true and correct copies of the certificates of registration issued by the United States Copyright Office for the architectural works and technical drawings for Speedy Stop Store Nos. 58, 59, 70, 82, 85, 201, 206, 209, and 216." (Doc. No. 110, First Meijer Declaration at ¶ 3.) Defendant has attacked the certificates of registration as "unauthenticated and unreliable," but the Court has ruled that the certificates are neither. *See supra* Part II.B.

Therefore, Plaintiff's motions for summary judgment are supported by evidence in the form of Exhibit A to the First Meijer Declaration, and will not be stricken by the Court.

C. [*72] Violations of the Copyright Act

All parties have moved for summary judgment on various issues related to Plaintiff's copyright infringement claims. In order to establish copyright infringement, a plaintiff must prove "ownership of a valid copyright and copying of constituent elements of the work that are

copyrightable." *See Eng'g Dynamics, Inc. v. Structural Software, Inc.*, 26 F.3d 1335, 1340 (5th Cir. 1994) (citing *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S. Ct. 1282, 113 L. Ed. 2d 358 (1999)). Defendant has asserted affirmative defenses to copyright infringement, including the existence of an implied nonexclusive license, joint authorship, and others.

1. Ownership of Valid Copyright

Plaintiff has moved for summary judgment on the basis that it owns valid architectural works copyrights (Doc. No. 110). In addition, Plaintiff moves for summary judgment on the issue of infringement of technical drawings copyrights (Doc. No. 108), which requires a showing that Plaintiff first owns valid copyright in the technical drawings. Finally, Plaintiff moves for summary judgment on Defendant's claims that Plaintiff's copyrights are not valid because the works are not original or copyrightable and contain [*73] errors in registration. (Doc. No. 111.)

Copyright ownership is shown by: (1) proof of originality and copyrightability, and (2) compliance with the applicable statutory requirements. *See Compaq Computer Corp. v. Ergonome Inc.*, 387 F.3d 403, 407-408 (5th Cir. 2004). A plaintiff complies with statutory formalities of copyright registration by submitting a complete application for registration, fee, and deposit to the Copyright Office. *Geoscan, Inc. v. Geotrace Techs., Inc.*, 226 F.3d 387, 393 (5th Cir. 2000).

"A certificate of registration, if timely obtained, is *prima facie* evidence both that a copyright is valid and that the registrant owns the copyright." *Gen. Universal Sys., Inc. v. Lee*, 379 F.3d 131, 141 (5th Cir. 2004). However, the presumption of validity and ownership that a certificate of registration creates is rebuttable. *See Berg v. Symons*, 393 F. Supp. 2d 525, 539 (S.D. Tex. 2005). "The effect of such a certificate is to place the burden of proof on the alleged infringer to disprove the validity of the copyright." *Guillot-Vogt Assocs., Inc. v. Holly & Smith*, 848 F. Supp. 682, 686 (E.D. La. 1994).

Courts may find a registration invalid if the copyright claimant willfully misstated [*74] or failed to state a fact that, if known, might have caused the Copyright Office to reject the copyright application. *Id.* at 542. There must be a showing of "scienter" in order to invalidate a copyright registration. *See St. Luke's Cataract & Laser Inst., P.A. v. Sanderson*, 573 F.3d

[1186, 1201 \(11th Cir. 2009\)](#). "[A] misstatement or clerical error in the registration application if *unaccompanied by fraud* will not invalidate the copyright nor render the registration certificate incapable of supporting an infringement action." 2 M. Nimmer & D. [Nimmer, Copyright § 7.20\[B\]](#) at 7-208, § 7.18[C][1] at 7-201 (2000) (emphasis added). Once a court determines that errors were inadvertent, courts generally turn to the question of whether the misstatements were material. [Morelli v. Tiffany and Co.](#), 186 F. Supp. 2d 563, 565-66 (E.D. Pa. 2002). An error is immaterial if its discovery is not likely to have resulted in the Copyright Office's refusal of the application. [Raquel v. Education Management Corp.](#), 196 F.3d 171, 176 (3d Cir. 1999). In sum, immaterial, inadvertent errors in an application for copyright registration will be excused and do not destroy the validity of the registration. See [Data General Corp. v. Grumman Systems Support Corp.](#), 36 F.3d 1147, 1161 (1st Cir. 1994).

Plaintiff [*75] relies upon certificates of registration *as prima facie* evidence of ownership of valid "architectural works" and "technical drawings" copyrights in nine Speedy Stop stores. Plaintiff has attached copies of certificates of registration for each copyright over which Plaintiff asserts ownership. (Doc. No. 108, Exh. H at Exhibit A; Doc. No. 110, Exhibit A to First Meijer Decl.) In addition, Mr. Meijer's declaration purportedly incorporates the deposit materials submitted to the Copyright Office in connection with the applications for copyright registration for these nine Speedy Stop stores. However, the Court has struck from the First Meijer Declaration the attachments purporting to represent the deposit materials submitted to the Copyright Office. See *supra* Part II.B. Therefore, the Court will consider only the certificates of registration, and not the deposit material, when deciding Plaintiff's motions for summary judgment. Here, the Defendant has challenged the certificates of registration on the following grounds: (1) existence of errors in the certificates themselves; (2) lack of originality; and (3) lack of copyrightability. The Court will review each of Defendant's challenges in [*76] turn. Ultimately, the Court concludes that genuine issues of material fact do exist with respect to some issues, and grants in part and denies in part Plaintiff's motion for summary judgment as to ownership of valid copyright in the architectural works and technical drawings, and Plaintiff's motion for summary judgment as to Defendant's claims that its works are not original or copyrightable.

a. Errors in Deposit Material Submitted to the Copyright Office

Defendant first claims that the certificates of registration are invalid because Plaintiff did not submit an entire set of construction drawings as deposit material for its applications for copyright registration. Plaintiff responds by stating that the smaller set of drawings that was submitted as deposit material to the Copyright Office was sufficient to obtain a valid registration of each copyright. Further, Plaintiff argues, even if there were errors in the scope of deposit material submitted to the Copyright Office, Defendant has not shown that these errors were either material or made with intent to defraud the Copyright Office. The Court addresses each type of copyright at issue in this case in turn in order to determine whether [*77] Plaintiff has made an error in deposit materials for each type of copyright, and whether these errors are material and fraudulent.

i. Deposit Materials for Technical Drawings Copyrights

Plaintiff has submitted copies of certificates of registration for the following nine "technical drawings" copyrights: Store No. 58 (VA 1-368-557), Store No. 59 (VA 1-368-552), Store No. 70 (VAu755-524), Store No. 82 (VAu739-454), Store No. 85 (VAu755-523), Store No. 201 (VAu755-526), Store No. 206 (VAu755-527), Store No. 209 (VAu755-525), Store No. 216 (VAu755-528). (Doc. No. 108, Exh. B.; Doc. No. 108, Exhibit A to First Meijer Decl.) Plaintiff claimed in the First Meijer Declaration that it had submitted a certain set of drawings to the Copyright Office as deposit materials for these "technical drawings" copyrights. However, Defendant has shown and Plaintiff has acknowledged in the Second Meijer Declaration that only a subset of the drawings previously claimed by Plaintiff to have been submitted to the Copyright Office were actually submitted. Defendant claims that, for Stores 70, 82, 85, 201, 206, 209, and 216, only two drawings were submitted to the Copyright Office--the elevation drawing and the [*78] floor plan drawing. (Doc. No. 150, Exh. A at ¶¶ 8-9.) For Store No. 59, Defendant claims that 29 drawings have been submitted as deposit material to the Copyright Office. (*Id.* at ¶ 11.) For Store No. 58, Defendant has been unable to obtain the deposit material on file with the Copyright Office. (*Id.* at ¶ 14.) Plaintiff has not specifically identified which drawings were actually submitted as deposit material for the "technical

drawings" copyrights but merely stated in the Second Meijer Declaration that the "deposit materials do not include the entirety of Exhibits B-J to my earlier declaration, but a subset of those documents, e.g., the March 2007 set of applications each include sheets A02 and A05, representing the exterior elevation and floor plan of the store. *See, e.g.*, IAI 0008840-928." This representation leaves open the question of what Plaintiff submitted as deposit material for the "technical drawings" copyrights for Store No. 58 (VA 1-368-557) and Store No. 59 (VA 1-368-552).

The Court need not reach the question of whether Plaintiff's errors in deposit material for the "technical drawings" copyrights were inadvertent and immaterial because the Court will dismiss Plaintiff's [*79] claims for copyright infringement based on unregistered drawings.

[Section 411\(a\)](#) of the Copyright Act requires that a copyright in a work be registered before a copyright owner brings a suit for infringement of that copyright. [17 U.S.C. § 411\(a\)](#). The Supreme Court in *Reed Elsevier* clearly stated that [§ 411\(a\)](#) is not jurisdictional in nature, though it noted that it is a form of a claims-processing rule. *See Reed Elsevier*, [130 S. Ct. at 1247](#). *Reed Elsevier* left open the question of how strictly courts should interpret the registration requirement imposed by [§ 411\(a\)](#). *Id.* at 1249 (declining to address whether [§ 411\(a\)](#) registration requirement is a "mandatory precondition to suit that . . . district courts may or should enforce *sua sponte* by dismissing copyright infringement claims involving unregistered works"). Claims-processing rules "do not limit a court's jurisdiction, but rather regulate the timing of motions or claims brought before the court. Unless a party points out to the court that another litigant has missed such a deadline, the party forfeits the deadline's protection." [Dolan v. United States](#), [559 U.S. 130 S. Ct. 2533, 2538, 177 L. Ed. 2d 108 \(2010\)](#).

The Fifth Circuit's leading case on [§ 411\(a\)](#)'s [*80] registration requirement, [Positive Black Talk, Inc. v. Cash Money Records, Inc.](#), [394 F.3d 357 \(5th Cir. 2004\)](#), was abrogated by *Reed Elsevier* insofar as *Positive Black Talk, Inc.* held that [§ 411\(a\)](#)'s registration requirement was jurisdictional in nature. However, *Positive Black Talk, Inc.*'s holding regarding what constitutes fulfillment of the claims-processing rule imposed by the [section 411\(a\)](#) registration requirement is still good law. The Fifth Circuit "requires only that the Copyright Office

actually receive the application, deposit, and fee before a plaintiff files an infringement action," unlike other circuits that require a plaintiff to actually obtain a certificate from the Copyright Office before bringing suit. [Positive Black Talk, Inc. v. Cash Money Records, Inc.](#), [394 F.3d at 365](#). In order to determine whether Plaintiff has fulfilled [§ 411\(a\)](#)'s registration requirement as construed by the Fifth Circuit, the Court must examine whether the Copyright Office received the application, the required deposit, and fee for the copyrights that are the subject of this suit.

An owner of copyright may obtain registration of his or her copyright by "delivering to the Copyright Office the [*81] deposit specified by this section, together with the application and fee." [17 U.S.C. § 408\(a\)](#); *see also Geoscan, Inc. v. Geotrace Techs., Inc.*, [226 F.3d 387, 393 \(5th Cir. 2000\)](#). The deposit required by [17 U.S.C. § 408\(a\)](#) is, "in the case of a published work, two complete copies or phonorecords of the best edition." [17 U.S.C. § 408\(b\)](#). Plaintiff has acknowledged that it failed to submit a "complete copy" of the material it wished to copyright as "technical drawings." (Doc. No. 154, Second Meijer Declaration at ¶¶ 4-5.) Though such errors might be excused as immaterial and inadvertent for the purposes of assessing a copyright's validity, they are not immaterial insofar as Plaintiff wishes to claim copying of those particular drawings constitutes infringement by Defendant. Plaintiff has failed to state claims of copyright infringement of unregistered technical drawings because it has not shown that it properly deposited those drawings with the Copyright Office. As such, Plaintiff's claims for copyright infringement of those drawings not submitted to the Copyright Office as deposit material for the "technical drawings" copyrights are dismissed. ¹⁵ Further, since the Court has struck Plaintiff's [*82] deposit material that was submitted to the Copyright Office, Plaintiff cannot receive summary judgment on the issue of valid ownership for even some of its technical drawings copyrights. Therefore Plaintiff's motion for summary judgment on infringement of its technical drawings copyright is denied.

¹⁵ The Court notes that Plaintiff has stated that it intends to file supplementary registrations for its technical drawings to include the complete set of construction drawings prepared by Plaintiff. (Doc. No. 154 at 2.) The Fifth Circuit has stated that "a plaintiff who files a copyright infringement lawsuit before registering with the Copyright

Office may cure the [§ 411](#) defect by subsequently amending or supplementing its complaint once it has registered the copyright." *Positive Black Talk, Inc.*, [394 F.3d at 365](#). Should Plaintiff wish to subsequently bring claims for copyright infringement of its newly registered technical drawings, the proper manner of doing so would be a motion to amend or supplement its pleading. The Court takes no position on the merits or likely success of any such motion.

ii. Deposit Materials for Architectural Works Copyrights

Plaintiff has submitted copies of certificates [*83] of registration for the following nine "architectural works" copyrights: Store No. 58 (VA 1-368-556 and VAu739-455),¹⁶ Store No. 59 (VA 1-368-553), Store No. 70 (VAu739-457), Store No. 82 (VAu739-453), Store No. 85 (VAu703-006), Store No. 201 (VAu739-459), Store No. 206 (VAu739-456), Store No. 209 (VAu739-458), and Store No. 216 (VAu739-452). (Doc. No. 110, Exhibit A to the First Meijer Declaration). Plaintiff claimed in the First Meijer Declaration that it had submitted a certain set of drawings to the Copyright Office as deposit materials for these "architectural works" copyrights. However, Defendant has shown and Plaintiff has acknowledged in the Second Meijer Declaration that only a subset of the drawings previously claimed by Plaintiff to have been submitted to the Copyright Office were actually submitted. Plaintiff has not specifically identified which drawings were actually submitted as deposit material for the "architectural works" copyrights. Defendant claims that, for Stores 70, 82, 85, 201, 206, 209, and 216, only two drawings were submitted to the Copyright Office--the elevation drawing and the floor plan drawing. (Doc. No. 149, Exh. A at ¶¶ 8-9.) For Store No. 59, Defendant [*84] claims that 29 drawings have been submitted as deposit material to the Copyright Office. (*Id.* at ¶ 11.) For Store No. 58, Defendant claims that only two drawings (the elevation and the floor plan) for Copyright No. VAu739-455, and have not been able to obtain the deposit material on file for Copyright No. VA 1-368-556.

¹⁶ Store No. 58 has two copyright registration certificates: VA 1-368-556 has an effective date of June 8, 2006, and the copyright claimant is Marcel Meijer, while VAu739-455 has an effective date of March 23, 2007 and the

copyright claimant is Interplan Architects, Inc.

Plaintiff responds by stating that, even if the registration and deposit materials do not reflect the entirety of drawings related to the stores designed by Interplan, Defendant has not shown that the deposit materials that were submitted fail to convey the "design of the building as embodied in any tangible medium of expression," *see* [17 U.S.C. § 101](#), or otherwise fail to show the Copyright Office the architectural works of the stores in question. (Doc. No. 139 at 4). The burden is upon Defendant to show that the error in deposit material, if any, submitted by Plaintiff was both intentional and material.

First, [*85] the Court does not believe that there is an error in the deposit material submitted by Plaintiff for the "architectural works" copyrights. The deposit requirements for "architectural works" copyrights differ from the deposit requirement for "technical drawings." The Register of Copyrights is authorized to alter the statutorily-specified deposit requirements for certain types of works. *See* [17 U.S.C. § 408\(c\)\(1\)](#). The corresponding regulations outline special provisions for "architectural works":

"(xviii) Architectural Works. (A) For designs of unconstructed buildings, the deposit must consist of one complete copy of an architectural drawing or blueprint in visually perceptible form showing the overall form of the building and any interior arrangements of spaces and/or design elements in which copyright is claimed. For archival purposes, the Copyright Office prefers that the drawing submissions consist of the following in descending order of preference:

(1) Original format, or best quality form of reproduction, including offset or silk screen printing;

(2) Xerographic or photographic copies on good quality paper;

(3) Positive photostat or photodirect positive;

(4) Blue line copies (diaz or [*86] ozalid process).

The Copyright Office prefers that the deposit disclose the name(s) of the architect(s) and draftsman(s) and the building site, if known.

(B) For designs of constructed buildings, the deposit must consist of one complete copy of an architectural drawing or blueprint in visually perceptible form showing the overall form of the building and any interior arrangement of spaces and/or design elements in which copyright is claimed. In addition, the deposit must also include identifying material in the form of photographs complying with § 202.21 of these regulations, which clearly discloses the architectural works being registered. For archival purposes, the Copyright Office prefers that the drawing submissions constitute the most finished form of presentation drawings and consist of the following in descending order of preference:

- (1) Original format, or best quality form of reproduction, including offset or silk screen printing;
- (2) Xerographic or photographic copies on good quality paper;
- (3) Positive photostat or photodirect positive;
- (4) Blue line copies (diaz or ozalid process).

With respect to the accompanying photographs, the Copyright Office prefers 8x10 inches, good [*87] quality photographs, which clearly show several exterior and interior views. The Copyright Office prefers that the deposit disclose the name(s) of the architect(s) and draftsman(s) and the building site."

[37 C.F.R. § 202.20\(c\)\(2\)\(xviii\)](#). Further, the Register of Copyrights may permit the deposit of "incomplete copies" or permit the deposit of actual copies in place of "identifying material" that would otherwise be required. See [37 C.F.R. § 202.20\(d\)\(1\)](#).

Plaintiff's submission to the Copyright Office of elevation drawings and floor plans as deposit material for the "architectural works" is sufficient to satisfy the deposit requirements for "architectural works." These drawings show the "showing the overall form of the building and any interior arrangement of spaces and/or design elements in which copyright is claimed." [37 C.F.R. § 202.20\(c\)\(2\)\(xviii\)](#). Because there is no error in the deposit material associated with the "architectural works" copyrights, the deposit material cannot be a ground for challenging the validity of Plaintiff's architectural works' copyrights.

b. The Identification of Derivative Works

Defendant also attacks the validity of the copyright registrations because [*88] of conflicting information that appears among the certificates of registration in response to the application's question asking for an identification of any preexisting work that the work being copyrighted is based upon. Defendant notes that, on some registrations, Plaintiff answered "N/A," while in other registrations, Plaintiff answered "Speedy Stop #59 (Portland, Texas)," and yet in others, Plaintiff answered "Speedy Stop # 59 (Portland, Texas) and Speedy Stop #82 (Columbus, Texas)." (Doc. No. 119 at 17-20.) With respect to the "architectural drawings" copyrights, it is clear that these discrepancies are immaterial. For Store No. 58, the original certificate of registration for "architectural works" (VA 1-368-556), where Plaintiff did not disclose any prior material, was replaced by a subsequent certificate of registration for "architectural works" in which Plaintiff disclosed that Store No. 58 was based on Store Nos. 59 and 82. (*Id.* at 17.) The Copyright Office's decision to issue a certificate of registration for "architectural works" once it became aware that preexisting material did exist shows that the Copyright Office would not have rejected the copyright registration applications [*89] if this information had been known to them at the time of Plaintiff's initial copyright application.

As for the "technical drawings" copyrights, the certificate of registration for Store No. 70, effective March 23, 2007, states that the "technical drawings" work is based upon "Speedy Stop # 59 (Portland, Texas)." (*Id.* at 18.) The earlier-issued "technical drawings" certificate of registration for Store No. 58, effective June 8, 2006, lists the response "N/A" in response to the question of whether the current work being copyrighted is based

upon previous works. (*Id.* at 17.) Once again, the Copyright Office's willingness to issue a copyright registration when it became aware of the preexisting material is evidence that it would not have rejected Plaintiff's copyright registration for Store No. 58 if it had known about the preexisting work at the time of the earlier application.

Finally, the Court cannot conclude that the discrepancies between the "architectural works" copyrights (listing both Store Nos. 59 and 82 as preexisting works) and the "technical drawings" copyrights (listing only Store No. 59 as preexisting work) create a question of material fact about the validity of the copyright [*90] registration. First, Defendant has not shown that such a discrepancy is an error, as opposed to an actual distinction between the preexisting work that the "architectural works" were based upon and the preexisting work that the "technical drawings were based upon. Second, Defendant has not offered any evidence that the omissions, if any, were made with the intent to defraud the Copyright Office. Finally, Defendant has not identified why the Copyright Office would have rejected the "technical drawings" copyrights had it learned that they were based on Store No. 82 in addition to Store No. 59. Therefore, the discrepancies as to the information listed as preexisting work on the copyright certificates does not meet the standard necessary to rebut the presumption of validity of the copyright registrations.

c. The Identification of Marcel Meijer as "Author"

Defendant argues that Interplan knowingly misrepresented the author of the "technical drawings" as Marcel Meijer even though he did not actually author these drawings. (Doc. No. 123). An "author" is generally the "party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to [*91] a copyright protection." [*Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 737, 109 S. Ct. 2166, 104 L. Ed. 2d 811 \(1989\)](#).

After reviewing the evidence submitted by the parties, the Court concludes that there was no error in listing Mr. Meijer as an author on the copyright registrations. Defendant highlights deposition testimony that purportedly shows Mr. Meijer's lack of involvement in the AutoCAD process by which the technical drawings were rendered. Mr. Urfi stated in his deposition that he never once saw Mr. Meijer use AutoCAD in the 13 years that Mr. Urfi worked for Mr. Meijer and that Mr. Meijer

supervised the draftsmen in the office who did use AutoCAD. (Urfi Depo., Doc. No. 123, Exh. H at pp.107-08, 111-12). However, Mr. Urfi also stated that Mr. Meijer "used to draw stuff, you know, by hand." (Urfi Depo., Doc. No. 123, Exh. H at p.112). When questioned specifically about Mr. Meijer's working process, Mr. Urfi said:

"Q. Okay. And so he would give you on a piece of paper, and I presume with a pencil, a drawing?

A. Yes.

Q. And do you know where he got that paper from?

A. Like -- I don't know when the clients come or something, he discuss. He has his own meeting with the clients --

Q. Uh-huh.

A. -- you know. Then [*92] he has all the paper ready. Then he used to call us, whoever will start the work. Hey, start this thing, you know. He give us the guidance, like this looks like this project, so all the drawings, you know, from that directory, start with that.

Then he, you know, make a big 24, 36 drawing, and then he used to modify that. Look, this should be like this. Get that, you know, driveway this way, get that this -- this way. He used to -- on the -- on the -- on the drawing he used to -- by pencil or pen, you know, he used to do like a red mark. It was a red mark.

Q. Okay.

A. Yeah. Here's the car wash put it there. Here's the entrance, there's the exit. He's going, put the lane there; landscaping, put it here. Take five feet from the property line right of way, you know, or three feet . . ."

(Urfi Depo., Doc. No. 123, Exh. H at pp.112-13). Mr. Urfi's deposition testimony, rather than establishing that Mr. Meijer was not the one who "created" the work, shows that Mr. Meijer was intimately engaged with his draftsmen in translating the architectural designs into fixed drawings. Though Mr. Meijer may not have engaged in computer-created drawings using AutoCAD, he did make hard-copy additions and modifications [*93]

that resulted in the creation of the copyrightable material. See Lakedreams v. Taylor, 932 F.2d 1103, 1108 (5th Cir. 1991) ("Authors are entitled to copyright protection even if they do not perform with their own hands the mechanical tasks of putting the material into the form distributed to the public."). As described above, under the "work for hire" doctrine, Plaintiff can be considered the "author" of works that Mr. Meijer created within the scope of his employment.

Next, the Court addresses the instances in which Mr. Meijer was listed as "claimant" on the certificates of copyright registration instead of Plaintiff. Improper designation of the copyright claimant is generally not grounds to dismiss an infringement claim unless: (a) the error misleads the public as to the existence of the copyright or true owner of the copyright; (b) otherwise prejudices a defendant. King Records, Inc. v. Bennett, 438 F. Supp. 2d 812, 838 (M.D. Tenn. 2006). Neither of these circumstances is present here. In each certificate where Mr. Meijer is listed individually as copyright claimant, "Interplan Architects, Inc." appears under his name. The inclusion of Plaintiff's name provides the public with notice [*94] of the true owner of the copyright. There is no evidence that Defendant has been prejudiced by Mr. Meijer's listing individually as copyright claimant. Moreover, this error was unintentional. Mr. Meijer testified that he had very little experience registering copyrights. Therefore, the Court does not find the validity of copyright rebutted on this ground. See LZT/Filliung Partnership, LLP v. Cody/Braun & Assoc., Inc., 117 F. Supp. 2d 745 (N.D. Ill. 2000) (holding that mistakes in the copyright infringement were innocent where the plaintiff had attempted for the first time ever to register plans).

d. The Identification of Ismael Urfi as "Author"

Next, Defendant claims that Plaintiff's copyrights are invalid because they assert Plaintiff's authorship of the copyrights as the employer of Ismael Urfi. (Doc. No. 123 at 13-14.) Defendant argue that Mr. Urfi performed his work on the drawings as an independent contractor and not as an employee of Interplan Architects. (Doc. No. 123 at 14-16, Doc. No. 119 at 12-13.) Therefore, Defendant concludes, Interplan is not the author of the technical drawings or architectural works and cannot claim copyright protection in either.

Copyright in a work protected [*95] by the Act vests "initially in the author or authors of the work." 17 U.S.C.

§ 201(a). The Copyright Act affords an exception to the general rule that copyright vests in authors in situations involving works made for hire. A "work made for hire" includes: "(1) work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned . . . if the parties expressly agree in a written instrument signed by them that the work shall be considered a work for hire." 17 U.S.C. § 101. As there is no evidence of a written agreement between Mr. Urfi and Interplan designating Mr. Urfi's drawings as works for hire, Plaintiff may claim ownership of Mr. Urfi's drawings only if he is determined to be an employee of Plaintiff during the period in which the drawings were created.

The determination of whether an individual is an employee or independent contractor for purposes of the "work for hire" doctrine is made using the common law of agency. See Community for Creative Non-Violence v. Reid, 490 U.S. 730, 109 S. Ct. 2166, 104 L. Ed. 2d 811 (1989); Quintanilla v. Texas TV, 139 F.3d 494, 497 (5th Cir. 1998). In applying the common law of agency, courts consider the "hiring party's right to control [*96] the manner and means by which the product is accomplished," which, in turn, involves the application of a number of factors. Reid, 490 U.S. at 751.¹⁷

17 In Reid, the Supreme Court outlined a list of non-exhaustive factors that are relevant in deciding whether the hired party is an employee or an independent contractor: (1) the hiring party's right to control the manner and means by which the product is accomplished; (2) the skill required; (3) the source of the instrumentalities and tools; (4) the location of the work; (5) the duration of the relationship between the parties; (6) whether the hiring party has the right to assign additional projects to the hired party; (7) the extent of the hired party's discretion over when and how long to work; (8) the method of payment; (9) the hired party's role in hiring and paying assistants; (10) whether the work is part of the regular business of the hiring party; (11) whether the hiring party is in business; (12) the provision of employee benefits; and (13) the tax treatment of the hired party. 490 U.S. at 751-52. No single factor is determinative. *Id.*

Applying the factors enumerated in Reid, there are a few indications that Mr. Urfi was an independent [*97]

contractor. For one, Mr. Urfi states that, throughout his employment at Interplan between the years of 1994-2007, he was a "contract employee." (Urfi Depo. at 16, 20.) He was paid on an hourly basis according to the number of hours worked. (Urfi Depo. at 18, 31.) Mr. Urfi did not receive medical benefits and was not paid for sick time or holidays. (Urfi Depo. at 17, 28-29.)

On the other hand, Mr. Urfi relates characteristics of his position as a draftsman that point towards a conclusion that he was an employee. Most significantly, Mr. Urfi paints a picture of an employment relationship between Mr. Meijer and himself wherein Mr. Meijer controlled the manner and means by which Mr. Urfi and other draftsmen at Interplan performed their work. Mr. Urfi describes Mr. Meijer as having "all the control, how much -- or how many works he has, you know. We're not supposed to know that, you know. He was the president of Interplan Architects." (Urfi Depo. at 45.) Mr. Meijer supervised the work of the draftsmen, answered any questions the draftsmen had, provided instructions and specific guidance to the draftsmen on their projects, and possessed the final say in the content of the drawings. (Urfi Depo. [*98] at 107-08, 115, 130-31.) Mr. Urfi was required to arrive at the office at a specific time each morning and punch in and out of a time clock. (Urfi Depo. at 18, 26.) During the times relevant to this lawsuit, he received a paycheck from which Social Security taxes, Medicare taxes, and perhaps income taxes were deducted (Urfi Depo. at 17-27.) He was paid for vacation days. (Urfi Depo. at 29.) Though Mr. Urfi describes himself variously as a "contract employee" and "contract labor," he obscures any difference between Interplan's treatment of independent contractors and employees by also stating that "we were the regular employees, you know, like a contract, but we are regular employees." (Urfi Depo. at 19.)

Defendant does not dispute any of the facts contained in Mr. Urfi's deposition. Nor does Defendant reference the existence of any additional facts that, if known, would assist the trier of fact in making a determination of Mr. Urfi's employment status. Defendant merely states that issues of fact exist as to Mr. Urfi's designation as an employee on the copyright registrations. (Doc. No. 119 at 12-13). However, the employee versus independent contractor determination is a question of [*99] law. See Massingill v. Stream, LTD., Case No. 08-cv-0091-M, 2009 U.S. Dist. LEXIS 91959, at *15 (N.D. Tex. Oct. 1, 2009) (stating that employee

versus independent contractor determination is a question of law). If the facts necessary to determine employee versus independent contractor status are unsettled, the court cannot make a legal conclusion as to the individual's employment status. See Easter Seal Soc. for Crippled Children & Adults, Inc. v. Playboy Enterprises, 815 F.2d 323, 336 (5th Cir. 1987). Here, there are no facts in dispute as to the work Mr. Urfi performed at Interplan Architects, the circumstances of his employment, and the way in which Mr. Urfi interacted with Mr. Meijer. Rather the dispute centers on whether, after taking all these facts into consideration, Mr. Urfi should be classified as an employee or independent contractor. This is a question of law that the Court finds to be amenable to disposition.

Plaintiff, through its president Mr. Meijer, controlled the way in which Mr. Urfi drafted plans and drawings for Interplan's clients. Mr. Meijer assigned Mr. Urfi architectural projects, which were part of Interplan's regular business. Moreover, Interplan's long-running [*100] employment relationship with Mr. Urfi, its requirement that he conduct his work during certain hours and at Interplan's office, and its deduction of payroll taxes from his paychecks are all evidence of Mr. Urfi's status as an employee. Though Mr. Urfi was not given medical insurance or paid for certain days on which he did not work, these factors are not determinative.

Therefore, the Court concludes that Mr. Urfi was an employee of Interplan for the purposes of the "work for hire" doctrine. Interplan is the "author" of any works created by Mr. Urfi during the scope of his employment at Interplan. The copyright registrations listing Interplan as the "author" of the technical drawings and architectural works are valid in this respect.¹⁸

18 Defendant makes the additional argument that Mr. Urfi is not an author of Plaintiff's drawings because he did not contribute any creativity in the design or layout of the Speedy Stop stores. (Doc. No. 123 at ¶ 20.) The Court need not parse out which contributions by Mr. Urfi were creative and which were not. To the extent that Mr. Urfi only transposed the expression of the architectural design onto paper, he did so at the direction and with the feedback [*101] of Mr. Meijer. (Urfi Depo. at 94-102.) Therefore, Mr. Meijer may be deemed the author of Plaintiff's drawings. See Lakedreams v. Taylor, 932 F.2d 1103, 1108 (5th

[Cir. 1991](#)) ("Authors are entitled to copyright protection even if they do not perform with their own hands the mechanical tasks of putting the material into the form distributed to the public.").

e. Lack of Originality

Plaintiff has moved for summary judgment on Defendant's claim that Plaintiff's copyrighted material is not original, and therefore undeserving of copyright protection. Originality means only that the work was independently created by the author (as opposed to copied from other works) and that it possesses at least some minimal degree of creativity. [Feist Publications, Inc. v. Rural Tel. Servs. Co.](#), 499 U.S. 340, 345, 111 S. Ct. 1282, 113 L. Ed. 2d 358 (1991). "Practically speaking, because the degree of creativity required is so low, the originality requirement amounts to 'little more than a prohibition of actual copying.'" [Axelrod & Cherveny Architects, P.C. v. Winmar Homes](#), Case No. 2:05-cv-711-ENV-ETB, 2007 U.S. Dist. LEXIS 15788, *9 (E.D.N.Y. Mar. 6, 2007) (citing [Alfred Bell & Co. v. Catalda Fine Arts, Inc.](#), 191 F.2d 99, 103 (2d Cir. 1951)). [*102] In cases where the defendant offers proof that plaintiff copied from other works, the burden shifts to the plaintiff to prove originality. [CMM Cable Rep., Inc. v. Ocean Coast Properties, Inc.](#), 97 F.3d 1504 (1st Cir. 1996).

Defendant's main challenges to the originality of Plaintiff's works all center around whether the works were independently created, as opposed to whether they possess a minimal degree of creativity, and can be distilled into three main arguments. First, Defendant maintains that Plaintiff's Architectural Drawings are not original because they incorporate many drawings generated by third-party vendors and consultants.¹⁹ This contention, even if true, is not sufficient as a legal matter to challenge the originality of Plaintiff's Architectural Drawings. Defendant offers as evidence of the third-party and consultant contributions to Plaintiff's Architectural Drawings a list of the contributions made by these third-parties and consultants. (Doc. No. 119, Exh. G.) These contributions consist of vicinity maps, surveys, property and boundary lines, standards for restroom accessibility, glass mullions standards, climatic zone maps, electrical layouts and specifications, plumbing [*103] information, canopy elevations and similar information and drawings. (*Id.*) Even though Plaintiff's architectural drawings may contain such contributions by

other parties, they are original due to the selection, arrangement and composition of the elements. [Sturdza v. United Arab Emirates](#), 281 F.3d 1287, 350 U.S. App. D.C. 154 (D.C. Cir. 2002); [The Rottlund Co. v. Pinnacle Corp.](#), Case No. 01-1980, 2004 U.S. Dist. Lexis 16723, *50 (D. Minn. Aug. 20, 2004).

19 This argument is distinguishable from Defendant's claim that Plaintiff is not the sole author of the works due to its incorporation of third-party vendor and consultant drawings.

Second, Defendant states that Plaintiff modeled its Architectural Drawings on the design of another convenience store chain called Quik Trip, and therefore Plaintiff's work cannot be original. The only relevant evidence offered by Defendant is the affidavit of Jeff Johanson. Mr. Johanson's affidavit does not state that Defendant Thomas provided a Quik Trip floor plan or elevations to Plaintiff, or even that Defendant Thomas possessed drawings of Quik Trip's floor plan, but only that Defendant Thomas acquired "some of the ideas for the floor plan by a review of another major convenience [*104] store operation, Quik Trip." (Doc. 121, Exh. 9, Affidavit of Jeff Johanson at 2.) Defendant also point to the deposition testimony of Ismail Urfi and Greg Mitchell, which acknowledges the similarity of Plaintiff's floor plan to Quik Trip's floor plan. However, these individuals do not offer any personal knowledge of Plaintiff's access to and copying of Quik Trip's floor plan. Defendant has not proffered evidence of either Plaintiff's direct access to Quik Trip's floor plan drawings, or access through Defendant Thomas to the floor plan. Therefore, Defendant has not raised a genuine issue of material fact with respect to Plaintiff's alleged copying of Quik Trip's floor plan.

Third, Defendant contends that Plaintiff's Architectural Drawings are not original because they are based on Defendant Thomas's in-house drawings of both floor plans and elevations. The Court finds that there exist genuine issues of material fact with respect to Plaintiff's alleged copying from Defendant Thomas's floor plan and elevation drawings, and will deny Plaintiff's motion for summary judgment due to this particular issue only. Defendant Thomas and Plaintiff clearly dispute the extent to which Defendant Thomas [*105] contributed site plans, floor plans, and elevation drawings for the nine Speedy Stop stores that Plaintiff designed. A reasonable juror could enter a verdict for

Defendant Thomas, the non-movant here, on the grounds that Plaintiff's Architectural Drawings were not original because they had been copied from Defendant Thomas's in-house drawings. See [Guillot-Vogt. Assocs., Inc., 848 F. Supp. at 689](#) (denying summary judgment when genuine issues of originality were raised by defendant's provision of drawings to plaintiff). Therefore, the Court denies Plaintiff's motion for summary judgment on Defendant's claim of lack of originality and denies Plaintiff's motion for partial summary judgment on ownership of valid architectural works copyrights.

f. Lack of Copyrightability

Plaintiff has moved for summary judgment on Defendant's claim that Plaintiff's copyrighted material does not contain copyrightable subject matter. Defendant contends that "functional" drawings such as Plaintiff's Architectural Drawings are not copyrightable.

With respect to the "technical drawings" copyrights, this material is protected under [17 U.S.C. § 101](#). The limitation of copyrightability of functional aspects applies [*106] only to physical objects, not to drawings of such objects. [Guillot-Vogt. Assocs., Inc., 848 F. Supp. at 688-89](#).

With respect to "architectural works" copyrights, these works are protected by the Architectural Works Copyright Protection Act. The legislative history confirms that architectural works contain many non-protected component parts. See H.R. Rep. No. 101-375, *reprinted in* 1990 U.S.C.C.A.N. at 6949 ("[C]reativity in architecture frequently takes the form of a selection, coordination, or arrangement of unprotectible elements into an original, protectible whole . . ."). Congress purposefully excluded any consideration of the utilitarian aspects of architectural design when determining the copyrightability of architectural works. See *id.* at 6951 ("[T]he copyrightability of architectural works shall not be evaluated under the separability test applicable to pictorial, graphic, or sculptural works.") Regardless of the functional nature of aspects of Plaintiff's Architectural Drawings, they are copyrightable as "architectural works" because copyright protection extends to "the gestalt of the plans including things like an architect's choices regarding shape, arrangement, and location [*107] of buildings, the design of open space, the location of parking and sidewalks, and the combination of individual design elements." [Axelrod & Cherveny Architects, P.C., 2007 U.S. Dist. LEXIS at *32](#).

Defendant has not raised a genuine issue of material fact regarding the copyrightability of Plaintiff's Architectural Drawings as either "technical drawings" or "architectural works." Plaintiff is entitled to summary judgment on Defendant's claim of lack of copyrightability.

2. Infringement

Plaintiff has moved for summary judgment on the issue of Defendant's infringement of its "technical drawings" copyrights. To succeed on a claim on copyright infringement, a plaintiff must establish valid copyright ownership and demonstrate actionable copying by a defendant. The "copying" inquiry comprises two separate questions. First, a plaintiff must establish factual copying. Second, a plaintiff must establish that the copying involved improper appropriation of copyrightable expression--i.e., actionable copying.

As to the first inquiry, Plaintiff must, as a factual matter, prove that Defendant "actually used the copyrighted material to create his own work." [General Universal Sys. v. Lee, 379 F.3d 131, 142 \(5th Cir. 2004\)](#). [*108] Copying can be proven by direct or circumstantial evidence. See [Bridgmon v. Array Sys. Corp., 325 F.3d 572, 576 \(5th Cir. 2003\)](#). Circumstantial evidence must demonstrate both: (1) that Defendant had access to the copyrighted work; and (2) that the two works are "probatively" similar. [General Universal Sys. v. Lee, 379 F.3d 131, 142 \(5th Cir. 2004\)](#); [Engineering Dynamics v. Structural Software, 26 F.3d 1335, 1340-1341 \(5th Cir. 1994\)](#). The access element is satisfied if the person who created the allegedly infringing work had a reasonable opportunity to view the copyrighted work. [General Universal Sys., 379 F.3d at 142](#). The second element -- probative similarity -- requires a showing that the works, "when compared as a whole, are adequately similar to establish appropriation." *Id.* In some cases, factual copying may be proven without a showing of access "if the two works are so strikingly similar as to preclude the possibility of independent creation." *Id.*

The second inquiry determines whether the copying is legally actionable. Plaintiff must demonstrate that the copying is legally actionable by showing that the allegedly infringing work is substantially similar to protectable elements of [*109] the infringed work. See [General Universal Sys., 379 F.3d at 142](#); [Engineering Dynamics, 26 F.3d at 1340-41](#).²⁰ Generally, one must compare the original and the copy "side-by-side" to

determine "whether a layman would view the two works as substantially similar." [General Universal Sys., 379 F.3d at 142](#). The "substantial similarity" determination is typically left to the ultimate factfinder, but "summary judgment may be appropriate if the court can conclude, after viewing the evidence and drawing inferences in a manner most favorable to the nonmoving party, that no reasonable juror could find substantial similarity of ideas and expression." *Id.*

20 "We note that this court stated in [Eng'g Dynamics, Inc., 26 F.3d at 1340-1341](#), and again in [King v. Ames, 179 F.3d 370, 375-76 \(5th Cir. 1999\)](#), that with respect to factual copying the test is 'probative similarity' (if relying on circumstantial evidence of copying) and that the test for actionable copying is 'substantial similarity.' See also [Peel & Co. v. Rug Mkt., 238 F.3d 391, 397-98 \(5th Cir. 2001\)](#) (analyzing probative similarity and substantial similarity separately). While it is possible that the same evidence will satisfy both tests, the [*110] tests are not the same." [Bridgmon v. Array Sys. Corp., 325 F.3d 572, 577 \(5th Cir. 2003\)](#).

Plaintiff's motion for summary judgment on the issue of "technical drawings" copyright infringement cannot be granted. Plaintiff cannot conclusively establish which of its technical drawings were submitted as deposit material for its "technical drawings" copyrights. As a result, a question of material fact exists as to the scope of "copyrighted material" that may have been used by Defendant to create its own work. See [General Universal Sys. v. Lee, 379 F.3d 131, 142 \(5th Cir. 2004\)](#). Without knowing which technical drawings have been copyrighted, the Court is unable to determine questions of access, probative similarity, or substantial similarity. [Bridgmon, 325 F.3d at 577](#); [Jack Preston Wood: Design, Inc., v. BL Building Co., H-03-713, 2004 U.S. Dist. LEXIS 30511, *31-*32 \(S.D. Tex. June 22, 2004\)](#) (declining to award summary judgment on the issue of infringement when the court did not have one set of plans with which to conduct the necessary side-by-side comparison). Therefore, the Court cannot grant summary judgment to Plaintiff on the issue of infringement of its technical drawings copyrights.

D. [*111] Fraud Claim

Defendant moves for summary judgment on Plaintiff's state-law claims of fraud. Specifically,

Defendant claims that two of Plaintiff's fraud claims, based on alleged misrepresentations made by Defendant Thomas in December 2003 and March 2004, are barred by the statute of limitations. As to the third fraud claim, Defendant claims that there is no evidence of any misrepresentation made by Defendant Thomas in November 2004.

A cause of action for fraud must be brought within four years after the date the cause of action accrues. [Tex. Civ. Prac. & Rem. Code § 16.004\(a\)\(4\)](#). The general rule is that actions for fraud must be commenced within four years after the fraud is perpetrated. [Buffington v. Lewis, 834 S.W.2d 601, 603 \(Tex. App.--Houston \[1 Dist.\] 1992, no writ\)](#). However, if "the fraud is concealed or is not known to the injured party," the statute of limitations begins to run when "the plaintiff knew, or exercising reasonable diligence, should have known of the wrongful act causing injury." [Buffington v. Lewis, 834 S.W.2d 601, 603 \(Tex. App.--Houston \[1st Dist.\] 1992, no writ\)](#); [BP Am. Prod. Co. v. Marshall, 288 S.W.3d 430, 452 \(Tex. App.--San Antonio 2008, pet. filed\)](#).

Defendant [*112] is correct that, if Plaintiff was aware of the alleged fraud at the time Defendant Thomas made its alleged misrepresentations, Plaintiff's fraud claims would accrue beginning the date when the alleged misrepresentations were made. However, Defendant has not offered any evidence that Plaintiff was aware that its Architectural Drawings were being shared with Morris, Hermes, or other third-parties working on projects for which Plaintiff was not the architect. Without such a showing, the Court is not required to apply the accrual rule that requires action for fraud to be commenced within four years of the date of alleged misrepresentations instead of the discovery rule. As a result, Defendant is not entitled to summary judgment that two of Plaintiff's fraud claims are barred by the statute of limitations.

Plaintiff's third fraud claim is based on an alleged representation made by Mr. Johanson in November 2004 that Defendant Thomas needed electronic copies of Plaintiff's Architectural Drawings in order to make minor changes to the construction sites and for archival purposes. (Doc. No. 54 at ¶ 84.) Defendant argues that Plaintiff has not offered any evidence that Mr. Johanson made such a [*113] representation in November 2004. Plaintiff directs the Court to only one piece of evidence for its claim that Mr. Johanson made this statement in

November 2004: Mr. Meijer's affidavit, subsequent to his depositions, that Mr. Johanson requested electronic copies of Plaintiff's Architectural Drawings "on several occasions." (Doc. No. 124, Exh. V at ¶ 4.) This statement, which does not provide any particulars and is otherwise unsupported by Mr. Meijer's prior deposition testimony, is insufficient to create an issue of material fact. See *Poole v. Marlin Drilling Co.*, 592 F. Supp. 60, 63 (W.D. La. 1984) (rejecting a conclusory statement of ultimate fact made in an affidavit submitted in opposition to summary judgment); *United States v. Dercacz*, 530 F. Supp. 1348, 1350 (E.D.N.Y. 1982) (stating that the party opposing summary judgment must supply "supporting arguments or facts" and "concrete particulars" in order to present a genuine issue for trial). As a result, Defendant has met its burden of showing that there is no evidence in the record to support Plaintiff's claim that a misrepresentation by Defendant Thomas occurred in November 2004. Defendant's motion for summary judgment on Plaintiff's [*114] fraud claim based on misrepresentations allegedly made in November 2004 is granted.

E. Affirmative Defenses

Plaintiff has moved for summary judgment on all of Defendant's affirmative defenses. Defendant has cross-moved for summary judgment on some of its defenses. The Court will address each of these in turn.

1. Joint Authorship

Defendant moves for summary judgment on its affirmative defense that Plaintiff's copyrighted works are "joint works" and, therefore, Defendant is not liable under either the Copyright Act or the DMCA for using Plaintiff's copyrighted works. Plaintiff has cross-moved for summary judgment on this issue.

A "joint work" is a "work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." 17 U.S.C. § 101. "Authors of a joint work are initial co-owners of the copyright in the work, and are each entitled to equal undivided interest in the whole work." *Jordan v. Sony BMG Music Entm't, Inc.*, 637 F. Supp. 2d 442, 459 (S.D. Tex. 2008). Joint authors cannot be liable to one another for infringement. *Quintanilla v. Texas Television, Inc.*, 139 F.3d 494 (5th Cir. 1998). Authorship is generally [*115] a question of fact for the jury. *Medforms, Inc. v. Healthcare Mgmt. Solutions, Inc.*

290 F.3d 98, 110 (2d Cir. 2002).

The mere fact of collaboration, however, does not make the collaborators "joint authors." *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061, 1068-69 (7th Cir. 1994). "To establish that his contributions were significant enough to make him a joint author, a party must show that he and the other party: (1) intended to create a joint work; and (2) each contributed independently copyrightable material." *Janky v. Lake County Convention & Visitors Bureau*, 576 F.3d 356, 361 (7th Cir. 2009); *Thomson v. Larson*, 147 F.3d 195, 200 (2d Cir. 1998). In the context of architectural works, courts have recognized that, although the "client, the developer, the engineer, and the ultimate inhabitants of a project, may have a voice in the design process . . . only in unusual circumstances will someone other than the architect be the author, the one to give spatial expression to the design ideas." *Fairview Dev. Corp. v. Aztex Custom Homebuilders, LLC*, Case No. CV-07-0337-PHX-SMM, 2009 U.S. Dist. LEXIS 16501, *13 (D. Ariz. Mar. 2, 2009). "[N]ormal client participation does not transform a client [*116] into an author or joint author of an architectural work." 2009 U.S. Dist. LEXIS 16501, [WL] at *13-*14; *M.G.B. Homes v. Ameron Homes*, 903 F.2d 1486, 1493 (11th Cir. 1990) (finding that a client's provision of a thumbnail sketch of a floor plan to his architect did not render the client an "author" of the architectural plans because there was no intent that the sketch become part of the finished expression).

Neither party is entitled to summary judgment at this stage of the proceedings because questions of material fact exist regarding joint authorship. The viability of Defendant Thomas's claim of joint authorship rests on, first, a showing that it made independently copyrightable contributions to Plaintiff's works. However, the parties dispute whether Defendant Thomas gave Plaintiff original site plans, floor plans, and elevation drawings it generated in-house, or simply drawings and surveys from third-party consultants and vendors.²¹ (*Compare* Labeff Depo. 25-26, 73-75, 137-38, 169 with Meijer I Depo. at 41, 45; Meijer II Depo. at 443-44, 483, 506, 526; Meijer III Depo. at 43, 49-50, 61, 62, 66.) Without knowing the scope of Defendant Thomas's contributions to Plaintiff's Architectural Drawings, the Court cannot [*117] make a determination of whether these contributions, if any, were independently copyrightable. See *Guillot-Vogt, Assocs., Inc.*, 848 F. Supp. at 689 (denying summary judgment due to questions of authorship raised by defendant's

provision of drawings to plaintiff).

21 Defendant appears to argue also that Plaintiff's claim of sole authorship is defeated because of its inclusion of third-party and consultants drawings in its Architectural Drawings. (Doc. No. 119, Exh. G.) However, Defendant Thomas' claim of joint authorship cannot rest on purported contributions by parties other than itself. Therefore, the Court will not consider the contributions of third-parties and consultants when analyzing the question of Defendant Thomas's joint authorship of Plaintiff's Architectural Drawings.

Second, the parties dispute whether both Plaintiff and Defendant Thomas intended to be joint authors. "[T]he intent prong does not have to do with the collaborators' intent to recognize each other as coauthors for purposes of copyright law; the focus is on the parties' intent to work together in the creation of a single product, not on the legal consequences of that collaboration." [Janky](#), 576 F.3d at 362 (quoting [*118] [Erickson](#), 13 F.3d at 1068-69). Defendant contends that the requisite intent is shown through Defendant Thomas's high level of decision-making authority over content and revisions to the Speedy Stop store designs. Further, Defendant claims that Plaintiff also intended to share authorship of its plans by failing to obtain signed Design Proposals asserting Plaintiff's sole authorship and ownership of its Architectural Drawings. Plaintiff contends that its intent to be sole author of its Architectural Drawings is shown by the title block and "scope of the document" language contained on its drawings. Further, Plaintiff challenges the level and nature of Defendant Thomas's participation in the design process, arguing that provision of third-party and consultant drawings does not transform Defendant Thomas into joint author. The Court acknowledges that "[a]n important indicator of authorship is a contributor's decisionmaking authority over what changes are made and what is included in a work." [Thomson v. Larson](#), 147 F.3d 195, 202-03 (2d Cir. 1998). Here, the parties have offered differing factual accounts of the nature and scope of Defendant Thomas's involvement in the design process such [*119] that a jury could properly enter a verdict in favor of Plaintiff, the nonmovant. Therefore, the Court cannot grant summary judgment to either party on Defendant Thomas's status as a joint author of the copyrighted works.

2. Implied Nonexclusive License

Defendant has moved for summary judgment on its affirmative defense that Plaintiff granted Defendant Thomas an implied nonexclusive license to copy or distribute Plaintiff's Architectural Drawings. Thus, Defendant argues, it is not liable for either copyright infringement or violations of the DMCA. Violations of the DMCA require that a defendant know or have reason to know that removal of copyright management information would "induce, enable, facilitate, or conceal an infringement" of any right under copyright law. [17 U.S.C. § 1202\(b\)](#); [Gordon v. Nextel Communications](#), 345 F.3d 922, 927 (6th Cir. 2003). Plaintiff has cross-moved for summary judgment on the basis that Defendant did not plead this defense.

[Rule 8\(c\)](#) requires a party to set forth all affirmative defenses in a responsive pleading. [Fed. R. Civ. P. 8\(c\)](#). "Generally, an affirmative defense not pled is considered waived." [Marine Overseas Svcs., Inc. v. Crossocean Shipping Co.](#), 791 F.2d 1227, 1233 (5th Cir. 1986). [*120] However, "where the matter is raised in the trial court in a manner that does not result in unfair surprise, . . . technical failure to comply precisely with [Rule 8\(c\)](#) is not fatal." [Lafreniere Park Found. v. Broussard](#), 221 F.3d 804, 808 (5th Cir. 2000) (quoting [United States v. Shanbaum](#), 10 F.3d 305 at 312). If the affirmative defense is raised at a pragmatically sufficient time, and the party opposing the defense is not prejudiced in its ability to respond, a court may hold that the defense is not waived. [Rogers v. McDorman](#), 521 F.3d 381, 386 (5th Cir. 2008); [United States v. Shanbaum](#), 10 F.3d 305, 312 (5th Cir. 1994).

Defendant first unambiguously raised the issue of being granted a license or permission by Plaintiff in the deposition of Marcel Meijer on January 15, 2010, when Mr. Meijer was asked whether Defendant Thomas "had either an express license from you wherein you said it's okay for you to do that or an implied one that they did it; they sent it to you; and you never said anything about it, right?" (Meijer III Depo. at 218.) At the time of Mr. Meijer's Deposition, the close of discovery was one month away on February 15, 2010. (Doc. No. 56.) Plaintiff, along with Defendant, [*121] twice moved for an extension of time to conclude expert discovery, both of which were granted. (Doc. Nos. 88, 96.) Defendant filed the present motion for summary judgment on April 5, 2010, and Plaintiff has had ample time to respond to

the license defense and prepare for trial on November 8, 2010. Further, Plaintiff has not identified any prejudice that has resulted from Defendant's late-raised license defense. Therefore, the Court declines to find that Defendant has waived the license defense.

Turning to the defense itself, courts have held that the existence of an implied license to use the copyright for a particular purpose precludes a finding of infringement. [Johnson v. Jones](#), 149 F.3d 494, 500 (6th Cir. 1998). An implied nonexclusive license to use a copyrighted work need not be evidenced by a writing, but may be implied through conduct or granted orally. [Carson v. Dynegy, Inc.](#), 344 F.3d 446, 451 n.5 (5th Cir. 2003). An implied nonexclusive license exists when "(1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes the particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee-requestor [*122] copy and distribute his work." [Lulirama Ltd. v. Access Broadcast Servs.](#), 128 F.3d 872, 879 (5th Cir. 1997) (quoting [Effects Associates, Inc. v. Cohen](#), 908 F.2d 555, 558-59 (9th Cir. 1991)). The existence of a license is an affirmative defense and a defendant bears the burden of proving its existence. [Lulirama Ltd.](#), 128 F.3d at 884.

Defendant correctly identifies the third prong of the *Lulirama* test--Plaintiff's intent--as the controlling issue here. Defendant claims that Plaintiff's intent to grant a license can be implied from Mr. Meijer's admission that he was aware of and gave Defendant Thomas permission to distribute Plaintiff's Architectural Drawings to third-party consultants and vendors. (Meijer III Depo. at 54, 92, 95, 100, 216, 220.) Mr. Meijer never complained about or objected to Defendant Thomas's use of Plaintiff's Architectural Drawings nor withdrew permission to distribute them. (Meijer III Depo. at 60, 92, 93, 102, 220.) In addition, Mr. Meijer never expected Defendant Thomas to seek Plaintiff's permission before giving a set of Plaintiff's Architectural Drawings to permitting agencies or contractors. (Meijer I Depo. at 153.)

Defendant Thomas also claims that Plaintiff's [*123] lack of confidentiality restrictions is evidence of Plaintiff's intent to *not* restrict Defendant Thomas's ability to use and distribute Plaintiff's Architectural Drawings. Plaintiff's Design Proposals that contained language preventing Defendant Thomas from copying or distributing Plaintiff's Architectural Drawings were never signed. (Labeff Depo. at 126; Meijer I Depo. at 35, 38.)

Similarly, Defendant Thomas never signed Plaintiff's Confidentiality Agreements that, on at least one occasion, accompanied the computer disks containing Plaintiff's AutoCAD files. (Meijer I Depo. at 68.) Finally, Defendant points to the several occasions when Plaintiff transmitted hard copies and electronic copies of its drawings without ever imposing confidentiality restrictions. (Meijer I Depo. at 62-66, 70-72, 178-79.)

Plaintiff correctly notes that there is no evidence that Mr. Meijer ever consented to Defendant Thomas's use of Plaintiff's Architectural Drawings in connection with projects on which Plaintiff did not serve as the architect. (Meijer III Depo. at 95.) Neither has Defendant shown that Plaintiff ever provided permission for Defendant Thomas to share Plaintiff's works with other architects. [*124] Plaintiff has also submitted evidence that he spoke to Defendant Thomas's personnel, Jeff Johanson and Carlton Labeff, and requested that Defendant Thomas keep Plaintiff's Architectural Drawings confidential. (Meijer I Depo. at 321.) In addition, Plaintiff points to the restrictive language contained in the unsigned Design Proposals and Confidentiality Agreements as evidence of Plaintiff's *lack* of intent to allow Defendant Thomas to copy and distribute its copyrighted works.

After considering the summary judgment evidence presented, the Court finds that Defendant has not met its burden of showing that Plaintiff intended for Defendant to copy and distribute its work. The parties' dispute turns on whether Plaintiff intended for its work to be shared with architects and third parties who did not work on Defendant Thomas's projects with Plaintiff. *See Johnson*, 149 at 501 (finding that an implied nonexclusive license did not exist because plaintiff's drawings "were used in a way he never intended"). In similar situations, courts have examined three factors to determine whether an implied nonexclusive license exists:

- (1) whether the parties were engaged in a short-term discrete transaction [*125] as opposed to an ongoing relationship;
- (2) whether the creator utilized written contracts, such as the standard AIA contract, providing that copyrighted materials could only be used with the creator's future involvement or express permission; and
- (3) whether the creator's conduct during the creation or delivery of the copyrighted material indicated that use

of the material without the creator's involvement or consent was permissible.

[Nelson-Salabes, Inc. v. Morningside Dev., LLC](#), 284 F.3d 505, 514-16 (4th Cir. 2002). Here, the first and third factors point away from the existence of an implied nonexclusive license. Plaintiff and Defendant Thomas were engaged in an ongoing relationship encompassing nine different Speedy Stop stores. In addition, nothing in Plaintiff's conduct indicated that it was aware, much less approved of, the use of its Architectural Drawings in projects on which it did not serve as an architect. The second factor is unhelpful in this case because, although Plaintiff submitted Design Proposals containing language restricting Defendant Thomas's ability to use or distribute Plaintiff's works without its permission, these documents were never signed. An application [*126] of the factors enumerated in *Nelson-Salabes* to this case leads to the conclusion that Plaintiff did not grant an implied nonexclusive license to Defendant Thomas.

Defendant's reliance on [Architettura, Inc. v. DBSI Cumberland at Granbury, L.P.](#), 652 F. Supp. 2d 775 (N.D. Tex. 2009) is misplaced. In *Architettura, Inc.*, the court did not decide the question of whether the plaintiff granted a license to the defendant because both parties in the case agreed that defendant had permission to use plaintiff's site plan during the time period in which defendant showed the site plan to a rival architect. The court instead examined whether this license was revocable or irrevocable. Here, Plaintiff disputes whether Defendant had permission to show its Architectural Drawings either to rival architects or to third-parties not involved in Plaintiff's projects.

Defendant also cites [Gordon v. Nextel Communications](#), 345 F.3d 922 (6th Cir. 2003), which involved a plaintiff who did not give defendant permission to use his illustrations. The court held that the defendant could not be liable for DMCA violations because there was no evidence that the defendant knew or had reason to know that it was facilitating [*127] or concealing an infringement. Here, however, Defendant argues that it possessed an implied nonexclusive license to use Plaintiff's Architectural Drawings. It has not argued that, even if it did not possess a license, it did not know or have reason to know that they would be facilitating an infringement of Plaintiff's copyrighted works.

Ultimately, the Court cannot conclude that the objective evidence of Plaintiff's conduct implied a license for Defendant Thomas to share Plaintiff's drawings with Morris and Hermes. The Court thus declines to grant Defendant's motion for summary judgment on the issue of an existence of an implied nonexclusive license.

3. Statute of Limitations

Defendant has moved for summary judgment that Plaintiff's Copyright Act claims are barred by the three year statute of limitations applicable to such claims. *See* [17 U.S.C. § 507\(b\)](#). Plaintiff has cross-moved for summary judgment on this affirmative defense due to Defendant's purported failure to produce any evidence on this issue. In the Fifth Circuit, a copyright claim accrues "when [the party] knew or had reason to know of the injury upon which the claim is based." [Jordan v. Sony BMG Music Entm't Inc.](#), Case No. 08-20835, 354 Fed. Appx. 942, 2009 U.S. App. LEXIS 26730 (5th Cir. Dec. 8, 2009) [*128] (quoting [Pritchett v. Pound](#), 473 F.3d 217, 220 (5th Cir. 2006)). In order for Defendant to obtain summary judgment on this issue, they must establish that that Plaintiff knew or had reason to know of the alleged copyright infringement prior to October 24, 2005 (Plaintiff filed suit on October 24, 2008). Defendant points to Plaintiff's knowledge in early 2005 that its Architectural Drawings were being used in geotechnical engineering reports. (*See, e.g.*, Meijer III Depo. at 77.) However, all of these geotechnical reports were generated in connection with projects on which Plaintiff served as the architect. (Meijer III Depo. at 77, 78, 79, 84, 91, 92, 99-100.) Plaintiff's copyright infringement claims are based not on projects where it served as an architect and received geotechnical reports, but rather on Defendant's use of Plaintiff's drawings in projects on which Plaintiff *did not* serve as architect--namely, Store Nos. 14, 86, 87, 91, 95, 102, 301, 302, 303, 305, 306, 309, 311). (Doc. No. 54 at 12-13.) Defendant has not proffered any evidence showing that Plaintiff was aware, prior to October 24, 2005, that its Architectural Drawings were being used in connection with these thirteen [*129] stores.

Next, Defendant argues that Plaintiff knew or should be charged with constructive knowledge of the alleged infringement by Morris because Morris's design and permitting work was completed as a matter of public record by October 18, 2005. (Morris Depo. at 136-39.) The "public records" that Defendant claims put Plaintiff

on notice of the alleged infringement appear to be permits issued by state, local or municipal authorities. (Morris Depo. at 136-39.) The Copyright Act provides that "[r]ecordation of a document in the Copyright Office gives all persons constructive notice of the facts stated in the recorded document." [17 U.S.C. § 205\(c\)](#); [Jordan v. Sony BMG Music Entm't Inc.](#), 354 Fed. Appx. 942, 2009 U.S. App. LEXIS 26730 at *8. However, the Copyright Office does not provide that public records in offices other than the Copyright Office, such as a permitting agency, can be used to charge a copyright owner with constructive notice that his or her copyright is being infringed. Copyright holders "are not obligated to seek out instances of potential infringement when they are reasonably unaware of any infringing acts." See [Jack Preston Wood: Design, Inc., v. BL Building Co.](#), Case No. H-03-713, 2004 U.S. Dist. LEXIS 30511, *44 (S.D. Tex. June 22, 2004). [*130] Plaintiff should not be expected to regularly comb through the permitting agencies records in order to search for potential instances of infringement. See [Warren Freedendfeld Assocs., Inc. v. Michael P. McTigue, D.V.M.](#), 531 F.3d 38, 46 (1st Cir. 2008) ("Architects have no general, freestanding duty to comb through public records . . . in order to police their copyrights."). The Court declines to charge Plaintiff with constructive notice of Morris's allegedly infringing Architectural Drawings through the public recordation of those drawings in permitting offices.

Finally, Defendant has not shown any evidence that Plaintiff was aware of Defendant Thomas's sharing of its Architectural Drawings with Hermes and Morris--the injury upon which Plaintiff's copyright infringement claims are based--prior to October 24, 2005.²² Plaintiff's claim that it discovered the existence of allegedly infringing stores designed by Morris and Hermes in March 2006 is uncontroverted. Therefore, Plaintiff is entitled to summary judgment on Defendant's affirmative defense of statute of limitations and Defendant's motion on this issue is denied.

²² Defendant also argues in various places in their motions that Plaintiff [*131] was or should have been aware that Defendant Thomas would hire other architects because Plaintiff was unable to continue providing architectural services. To the extent that Defendant is charging Plaintiff with inquiry notice of the infringing activities, the Court does not find that the events here provided Plaintiff with such notice. See [Warren](#)

[Freedendfeld Assocs., Inc.](#), 531 F.3d at 45 ("There is no presumption that failed business relationships inevitably will give rise to either tortious conduct or disregard or proprietary rights.").

4. Lack of Damages

Defendant moves for summary judgment on Plaintiff's damage claims under the Copyright Act and the DMCA.

First, Defendant's motion for summary judgment as to Plaintiff's claim for attorney's fees and statutory damages under the Copyright Act is denied. Plaintiff is not seeking attorney's fees or statutory damages under the Copyright Act. (Doc. No. 54 at ¶ 60.)

Second, Defendant's motion for summary judgment as to Plaintiff's claim for statutory damages under the DMCA is denied. Plaintiff has sought statutory damages under [17 U.S.C. §§ 1203\(c\)\(1\)\(B\)](#), [1203\(c\)](#) for DMCA violations as an alternative to actual damages and infringer's profits. [*132] The DMCA provides that statutory damages may be awarded for "each violation of [section 1202](#) in the sum of not less than \$2,500 and more than \$25,000." [17 U.S.C. § 1203\(c\)\(3\)\(B\)](#). Contrary to Defendant's claim, [17 U.S.C. § 1203\(c\)\(3\)](#) does not limit the definition of "violation" to "each instance in which a copy of an infringed [work] was provided to a third party." (Doc. No. 104 at ¶ 28.) Rather, the latter language comes from a case [Goldman v. Healthcare Management Sys., Inc.](#), 559 F. Supp. 2d 853, 868 (W.D. Mich. 2008), which held, in that case, that "violation" would mean each time the defendant distributed the infringed program to hospitals. The term "violation" has also been held to mean "'each violative act performed by Defendant.'" [McClatchey v. AP](#), Case No. 3:05-cv-145, 2007 U.S. Dist. LEXIS 40416 (W.D. Pa. June 4, 2007); see also [Stockwire Research Group, Inc. v. Lebed](#), 577 F. Supp. 2d 1262, 1267 (S.D. Fla. 2008). Under the latter interpretation, Defendant's removal of Plaintiff's title block could constitute the "violation" contemplated by [17 U.S.C. § 1203\(c\)\(3\)\(B\)](#). See [Gregerson v. Vilana Fin., Inc.](#), Case No. 06-1164 ADM/AJB, 2008 U.S. Dist. LEXIS 11727, *21 (D. Minn. Feb. 15, 2008) [*133] (recognizing a DMCA "violation" for purposes of calculating statutory damages as Defendant's removal of a digitally embedded watermark from plaintiff's copyrighted photograph rather than Defendant's distribution of plaintiff's photograph in print and web

advertisements). Defendant cannot establish that it did not perform "violations" of the DMCA such that Plaintiff would not be entitled to statutory damages under the DMCA.

Third, Defendant's motion for summary judgment as to Plaintiff's claims for actual damages under the Copyright Act and DMCA is granted. The Copyright Act and the DMCA provide that a copyright owner may recover actual damages he or she suffers as a result of the copyright infringement. [17 U.S.C. § 504\(a\)](#); [17 U.S.C. § 1203\(c\)\(2\)](#). Defendant contends that Plaintiff is not entitled to actual damages because it has proffered no evidence that it sustained any losses due to the alleged infringement of its drawings. However, courts have construed the "actual damages" measure to include license fees that the copyright owner would have obtained for the infringer's use of the copyrighted material. See [On Davis v. The Gap, Inc., 246 F.3d 152, 166 \(2d Cir. 2001\)](#) (noting that, though [*134] a copyright "owner may be incapable of showing a loss of either sales or licenses to third parties," the owner may be able to recover as actual damages "owner's loss of the fair market value of the license fees he might have exacted of the defendant"). Plaintiff has offered, as evidence of the license fee it might have obtained from Defendant Thomas, Mr. Meijer's affidavit stating that Plaintiff would have charged \$25,000 for each additional store or site for which its plans would be used. The Court has stricken this portion of Mr. Meijer's affidavit for the reasons explained in Part II.C.2, above. Plaintiff has offered no other evidence of the fair market value of license fees for its Architectural Drawings. Therefore, Plaintiff has failed to make a showing sufficient to establish an essential element of its claim for actual damages. Defendant is entitled to summary judgment on Plaintiff's claim for actual damages under the Copyright Act and the DMCA.

Fourth, Defendant's motion for summary judgment as to Plaintiff's claims for infringer's profits under the Copyright Act and DMCA is denied. A copyright owner is entitled to recover "infringer's profits" as a measure of damages for copyright [*135] infringement. "In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." [17 U.S.C. § 504\(b\)](#).

Plaintiff has offered evidence of Thomas's gross revenue in the form of the expert report of its damages expert, Walter Bratic. Though the Court excluded Mr. Bratic's expert opinion as to Defendant Thomas's gross revenue, Plaintiff has been allowed to provide another opinion as to the calculation of Defendant Thomas's gross revenue. (Doc. No. 175 at 12.) As a question of material fact exists as to Defendant Thomas's gross revenue attributable to the allegedly infringing activity, the Court will withhold judgment until Plaintiff's resubmission of its expert report regarding Defendant Thomas's gross revenue.

5. Fair Use

Plaintiff has moved for summary judgment on Defendant's affirmative defense of fair use. In determining whether use of copyrighted material constitutes fair use, courts must apply four factors: (1) the purpose and character of the use, including whether such [*136] use is of commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. [17 U.S.C. § 107](#); [Campbell v. Acuff-Rose Music, 510 U.S. 569, 577, 114 S. Ct. 1164, 127 L. Ed. 2d 500 \(1994\)](#).

The first factor weighs against a finding of fair use since Defendant's alleged use of Plaintiff's copyrighted material was strictly for commercial purposes. See [Compaq Computer Corp. v. Ergonome Inc., 387 F.3d 403, 409-10 \(5th Cir. 2004\)](#) (stating that commerciality generally weighs against a finding of fair use). Defendant has admitted that its use was for commercial purposes. (Doc. No. 121 at 11.) Where the primary use of the copyrighted work is for a commercial purpose, the use is "presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright," and the central question is "whether the user stands to profit from the exploitation of the copyrighted material without paying the customary price." [Thomas M. Gilbert Architects, P.C. v. Accent Builders & Developers, LLC, 629 F. Supp. 2d 526, 533 \(E.D. Va. 2008\)](#) [*137] (omitting citations), *aff'd*, [377 Fed. Appx. 303, 2010 U.S. App. LEXIS 9299 \(4th Cir. 2010\)](#).

The second factor--the nature of the copyrighted material--also weighs against a finding of fair use. Creative or fictional works receive more protection than

non-fictional or factual works. [*Thomas M. Gilbert Architects, P.C. v. Accent Builders & Developers, LLC*, 629 F. Supp. 2d 526, 534 \(E.D. Va. 2008\)](#). Architectural designs and drawings have been held to be creative works. *Id.* Defendant has not offered any factual or legal support for considering architectural works or drawings non-creative works. This factor also weighs against a finding of fair use.

The third factor--the amount and substantiality of the portion used in relation to the copyrighted work as a whole--cannot be applied one way or another because Defendant contends in its opposition to Plaintiff's motion for summary judgment on the fair use defense that it did not use Plaintiff's copyrighted work.

The fourth factor--the effect of the use upon the potential market for or value of the copyrighted work--weighs against a finding of fair use here. The parties correctly note that this factor is the most important of the four. [*Compaq Computer Corp. v. Ergonome Inc.*, 387 F. 3d 403, 410 \(5th Cir. 2004\)](#). [*138] "This factor requires courts to consider not only actual harm to the market for the original, but also whether widespread use of the work, like the sort complained of by the copyright-holder, would impair the potential market for the original work and any derivative works." *Id.* Defendant will have the burden at trial of showing that its alleged commercial use of Plaintiff's Architectural Drawings did not have a significant effect upon the market for or value of the drawings. However, Defendant has not shown that its use of Plaintiff's Architectural Drawings did not significantly impact Plaintiff's ability to sell or license its works. In fact, Defendant acknowledges that Plaintiff's primary business is the design of convenience stores. (Meijer I Depo. at 100-02.) Defendant's argument that Plaintiff's market was not harmed because it did not have the ability to handle its work is also unavailing. Even if Plaintiff was unable to draft new Architectural Drawings itself, Plaintiff would have been able to license the pre-existing Architectural Drawings to Defendant Thomas. Defendant Thomas's alleged commercial use of the plans--sharing them with Morris and Hermes--impaired Plaintiff's ability [*139] to derive licensing fees from Defendant Thomas for this use.

Considering all of these four factors together, the Court finds that Defendant Thomas has not shown the existence of essential elements of the fair use defense and

that Plaintiff is entitled to summary judgment on this affirmative defense.

6. Estoppel

Plaintiff has moved for summary judgment on Defendant's affirmative defense of estoppel because of Defendant's failure to produce evidence regarding any of the elements of estoppel. Under the doctrine of estoppel, a plaintiff is barred from bringing a copyright infringement claim against a defendant if: (1) plaintiff knew about defendant's infringing conduct; (2) plaintiff must intend that its conduct shall be acted on, or must so act that the defendant has a right to believe that it is so intended; (3) defendant was ignorant of the true facts; and (4) defendant relied on plaintiff's conduct to its detriment. [*Carson v. Dynegy, Inc.*, 344 F.3d 446, 453 \(5th Cir. 2003\)](#).

In order for Defendant to survive summary judgment, it must identify a genuine issue of material fact. Where, as here, the Defendant will have the burden of proof at trial on the essential elements of the estoppel defense, [*140] it must make a showing sufficient to establish the existence of the essential elements. Defendant has not shown sufficient evidence that Plaintiff was aware of Defendant Thomas's sharing of Plaintiff's Architectural Drawings with parties not involved on Plaintiff's projects. There is no genuine issue of material fact that exists regarding Plaintiff's specific knowledge of Morris's and Hermes's use of its Architectural Drawings. Therefore, Plaintiff is entitled to summary judgment on the first element of estoppel. Since all four elements of the estoppel defense are required, Plaintiff is entitled to summary judgment on the estoppel defense as a whole.

7. Laches

Plaintiff has moved for summary judgment on Defendant's affirmative defense of laches. "To establish that a cause of action is barred by laches, the defendant must show (1) a delay in asserting the right or claim; (2) that the delay was not excusable; and (3) that there was undue prejudice to the defendant." [*Goodman v. Lee*, 78 F.3d 1007, 1014 \(5th Cir. 1996\)](#). "Generally speaking, the relevant delay is the period from when the plaintiff knew (or should have known) of the allegedly infringing conduct, until the initiation of the [*141] lawsuit in which the defendant seeks to counterpose the laches defense." [*Jacobsen v. Deseret Book Co.*, 287 F.3d 936](#),

949 (10th Cir. 2002) (quoting *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 952 (9th Cir. 2001)). The Fifth Circuit has not addressed whether the laches defense applies in a case where the copyright owner files suit within the three-year statute of limitations applicable to copyright infringement claims. However, other circuits have acknowledged that courts should defer to the statute of limitations rather than decide copyright infringement cases on the issue of laches. See, e.g., *Jacobsen v. Deseret Book Co.*, 287 F.3d 936, 950 (10th Cir. 2002); *Lyons P'ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 798 (4th Cir. 2001); *Jack Preston Wood: Design, Inc.*, 2004 U.S. Dist. LEXIS at *45-*47. In rare cases, "a statute of limitations can be cut short by the doctrine of laches . . ." *Jacobsen v. Deseret Book Co.*, 287 F.3d 936, 951 (10th Cir. 2002).

The Court has already issued summary judgment in favor of Plaintiff on the issue of whether Plaintiff filed its copyright infringement claim within the three-year statute of limitations. Defendant has not presented evidence of extraordinary [*142] circumstances that would warrant the imposition of the laches defense. Plaintiff discovered the alleged infringement in March 2006. Plaintiff wrote to Defendant Thomas in June 2006 about the alleged infringement and asked Defendant Thomas to refrain from releasing Plaintiff's Architectural Drawings to any other architectural firm without Plaintiff's written approval. (Doc. No. 104, Exh. O at 65.) Plaintiff registered its "architectural works" and "technical drawings" copyrights between June 2006 and October 2007. (*Id.* at 103-08.) The approximately year-long delay between the copyright registration process and filing of suit appears due to Plaintiff's interaction with its counsel. (Meijer I Depo. at 25-27.) There is nothing remarkable in Plaintiff's conduct requiring the Court to shorten the statute of limitations by applying the laches defense. Finally, Defendant has not shown how it was prejudiced by Plaintiff's filing of suit in October 2008. Therefore, Plaintiff is entitled to summary judgment on this affirmative defense.

8. Innocent Infringement

Plaintiff has moved for summary judgment on Defendant's affirmative defense of innocent infringement. The use of the innocent infringement [*143] defense for claims brought under the Copyright Act differs from its use in alleged violations of the DMCA.

With respect to claims brought under the Copyright

Act, innocent infringement is not an affirmative defense to liability for infringement of works created after March 1, 1989. *Bryce & Palazzola Architects & Assocs. v. A.M.E. Group*, 865 F. Supp. 401, 405 (E.D. Mich. 1994). Innocent infringement remains an affirmative defense to an award of statutory damages under 17 U.S.C. § 504(c) for copyright infringement. Here, Plaintiff has not asserted a claim for statutory damages for copyright infringement. Therefore, Defendant cannot assert innocent infringement as an affirmative defense to either liability or statutory damages for copyright infringement.

With respect to DMCA claims, innocent infringement can be an affirmative defense to the award of statutory damages under 17 U.S.C. § 1203(c)(5). Defendant has proffered sufficient evidence that a jury might reasonably conclude that its removal of Plaintiff's title block from its Architectural Drawings was done without knowledge that such removal constituted a violation of the DMCA. Therefore, Plaintiff is not entitled to summary judgment [*144] as to Defendant's affirmative defense of innocent infringement to Plaintiff's DMCA claims.

9. Unclean Hands

Plaintiff has moved for summary judgment on Defendant's affirmative defense of unclean hands. In order for the equitable doctrine of "unclean hands" to apply, the plaintiff's misconduct must "in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication." *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852, 863 (5th Cir. 1979), cert. denied, 445 U.S. 917, 100 S. Ct. 1277, 63 L. Ed. 2d 601 (1980) (quoting *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 245, 54 S. Ct. 146, 78 L. Ed. 293, 1934 Dec. Comm'r Pat. 639 (1933)). The plaintiff's conduct must personally injure the defendant. *Id.* (quoting *Lawler v. Gilliam*, 569 F.2d 1283, 1294 (4th Cir. 1978)). "The defense is rarely effective and is properly denied when the "plaintiff's transgression is of an . . . inconsequential nature." *Los Angeles News Service v. Tullo*, 973 F.2d 791, 799 (9th Cir. 1992) (omitting citations). The application of the unclean hands doctrine raises primarily a question of fact. *Id.*

Defendant contends that Plaintiff's purposeful errors in the copyright registration process, failure to disclose that its [*145] work was copied from a third party, misstatements in authorship, and failure to disclose that

its work was a derivative work are all wrongful acts that bar Plaintiff's recovery under the clean hands doctrine. The Court has already resolved all of these issues in favor of Plaintiff. Plaintiff is entitled to summary judgment on the unclean hands defense.

10. Failure to Identify Portions of Infringed Copyrighted Works

Plaintiff moves for summary judgment on Defendant's affirmative defense of failure to identify portions of infringed copyrighted works. Defendant acknowledges that "failure to identify portions of infringed copyrighted works" is not an affirmative defense but claim that it is Plaintiff's burden of proof at trial. Plaintiff contends that it is not required to identify portions of its copyrighted works because, under the substantial similarity test, the fact finder is required to review the work as a whole without dissection to judge the total concept and feel of the structure. In the Fifth Circuit, the "substantial similarity" test requires the plaintiff to "demonstrate that the copying is legally actionable by showing that the allegedly infringing work is substantially similar [*146] to *protectable* elements of the infringed work." [*General Universal Sys. v. Lee*, 379 F.3d 131, 142 \(5th Cir. Tex. 2004\)](#) (emphasis added). Therefore, Plaintiff bears a burden of identifying the protectable elements of its Architectural Drawings and presenting evidence that Defendant's Architectural Drawings are substantially similar to those elements. The Court withholds summary judgment on the issue of Plaintiff's failure to identify portions of infringed copyrighted works.

11. De Minimis Infringement

Plaintiff moves for summary judgment on Defendant's affirmative defense of de minimis infringement. "To establish that the infringement of a copyright is de minimis, and therefore not actionable, the alleged infringer must demonstrate that the copying of the protected material is so trivial as to fall below the quantitative threshold of substantial similarity, which is always a required element of actionable copying." [*Sandoval v. New Line Cinema Corp.*, 147 F.3d 215, 217 \(2d Cir. 1998\)](#) (omitting quotations).

As stated above, genuine issues of material fact exist as to which technical drawings within Plaintiff's Architectural Drawings were copyrighted. Further, there are factual issues in dispute [*147] regarding the

substantial similarity of Plaintiff's "architectural works" material and Defendant's Architectural Drawings. Therefore, the Court cannot conclude that Defendant has shown no evidence that its potential use of Plaintiff's protected material is below the de minimis level. Plaintiff's motion for summary judgment on this issue is denied.

12. Failure to Mitigate Damages

Plaintiff moves for summary judgment on Defendant's affirmative defense that Plaintiff failed to mitigate its damages. Plaintiff first suggests that courts have never recognized a failure to mitigate as a defense in a copyright infringement case. However, a brief search of the case law yields exactly such cases. See [*Tingley Sys. v. Healthlink, Inc.*, 509 F. Supp. 2d 1209, 1219 \(M.D. Fla. 2007\)](#); [*Frank Betz Assocs. v. J.O. Clark Constr., L.L.C.*, Case No. 3:08-cv-00159, 2010 U.S. Dist. LEXIS 53437 \(M.D. Tenn. May 30, 2010\)](#); [*Software Publr. Ass'n v. Scott & Scott, LLP*, Case No. 3:06-CV-0949-G, 2007 U.S. Dist. LEXIS 59814 \(N.D. Tex. Aug. 15, 2007\)](#).

Second, Plaintiff claims that Defendant has not adduced evidence to support this defense. In response, Defendant cites as evidence Plaintiff's discovery of the allegedly [*148] wrongful activity in March 2006 and failing to do anything for over two years until the initiation of this lawsuit in October 2008. The Court finds that a genuine issue of material fact exists regarding whether Plaintiff properly mitigated the damages it is requesting for copyright infringement, DMCA violations, and fraud claims. Therefore, Plaintiff is not entitled to summary judgment as to Defendant's affirmative defense of failure to mitigate damages.

13. Fraud on Copyright Office

Plaintiff moves for summary judgment on Defendant's defense of fraud on the Copyright Office. As explained in Part IV.C.1, above, Defendant has not been able to show that there are genuine issues of material fact relating to Plaintiff's errors in copyright registration, nor that, as a legal matter, Plaintiff committed fraud on the Copyright Office. Therefore, the Court grants Plaintiff's motion for summary judgment as to this defense.

14. Impermissible Taking

Plaintiff has moved for summary judgment on Defendant Thomas's defense of impermissible taking.

Defendant Thomas has clarified that this defense would only be applicable in the event that a jury awards punitive damages on Plaintiff's fraud claim. The [*149] Court withholds summary judgment on this defense.

15. Failure to State a Claim

Plaintiff moves for summary judgment on the defense that Plaintiff has failed to state a claim under [Rule 12\(b\)\(6\)](#). This defense was raised by Hermes, which is no longer a defendant in this case. Therefore, Plaintiff is entitled to summary judgment on this defense.

16. Intervening Third Parties

Plaintiff is entitled to summary judgment on the defense of "intervening third parties" as this defense has no applicability to copyright infringement and was raised with respect to the now-dismissed trade secret misappropriation claims.

17. Comparative Responsibility

Plaintiff moves for summary judgment on Defendant Thomas's affirmative defense of comparative responsibility. Both parties acknowledge that this defense is inapplicable to copyright infringement claims. As for the fraud claim, Defendant Thomas is correct in stating that comparative responsibility is an affirmative defense under Texas law. However, Defendant Thomas has not identified the facts that would support such a defense. See [Celotex, 477 U.S. at 323-24](#) (the nonmoving party must go beyond the pleadings and designate specific facts showing that there is [*150] a genuine issue for trial). Therefore, the Court grants summary judgment to Plaintiff on the affirmative defense of comparative responsibility.

18. Sufficient Resources

Plaintiff has moved for summary judgment on the issue of "sufficient resources." Plaintiff and Defendant Thomas agree that there is no affirmative defense of "sufficient resources." Defendant Thomas states that the issue of sufficient resources relates to its defenses of limitations, estoppel and laches since Plaintiff knew that it did not have the manpower to meet Defendant Thomas's requirements and was on notice that other Speedy Stop stores would be built and other architects would be used. Insofar as "sufficient resources" is asserted as a separate defense, the Court grants summary

judgment to Plaintiff on this defense.

19. Reasonable and Necessary Attorney's Fees

The parties agree that Defendant Thomas's defense of reasonable and necessary attorney's fees is not an affirmative defense. The Court grants summary judgment to Plaintiff as to the affirmative defense of reasonable and necessary attorney's fees.

20. Defenses Related to Trade Secret Misappropriation

The Court grants summary judgment to Plaintiff as to the affirmative [*151] defenses asserted by Defendant with respect to Plaintiff's trade secret misappropriation claims. These claims were dismissed by agreement and stipulation of the parties.

V. MOTION FOR DISCOVERY SANCTIONS

Plaintiff has moved for discovery sanctions against Defendant Thomas due to Defendant Thomas's alleged failure to cooperate in the production of documents, responses to interrogatories, and appropriate disclosures (Doc. No. 114). This motion was originally filed on April 13, 2010. Defendant Thomas responded on April 23, 2010. After a hearing on the motion, the Court issued an order on May 5, 2010 permitting Plaintiff to conduct an additional deposition of Jeff Johanson, permitting Plaintiff to identify financial information it believed that Defendant Thomas previously had failed to make available, requiring Defendant Thomas to make such financial information available for Plaintiff's inspection, and allowing the parties to file supplemental briefs. The parties have filed supplemental briefs and the motion is ripe for disposition. The imposition of sanctions for failure to cooperate in discovery is within the sound discretion of the district court. See [Tollett v. City of Kemah, 285 F.3d 357, 363 \(5th Cir. 2002\)](#) [*152] (citations omitted). The Court turns to each of the discovery disputes raised by Plaintiff.

A. Production of Responses to Plaintiff's Interrogatories 1-4

Plaintiff seeks sanctions because Defendant's responses to Plaintiff's Interrogatories #1-4 occurred on March 30, 2010, over 30 days after this Court's order on February 25, 2010 requiring Defendant Thomas to turn over responsive information. Defendant Thomas correctly

points out that the Court's February 25th order contained no deadline for response. Further, a review of Defendant Thomas's response suggests that the process of obtaining the information requested was intensive. Defendant Thomas's delay in producing responsive documents cannot serve as the basis for sanctions.

Plaintiff also seeks sanctions because Defendant Thomas's responses did not include information about how potentially-infringing architectural documents were used or modified, and the purpose of any modification. Defendant Thomas responds that the reason that such information was not included is because Defendant Thomas is not aware of any modification by third-parties of the architectural drawings it sent to those third parties. To the extent that Defendant Thomas [*153] wishes to rely on claims that third-parties, including Morris and Hermes, *did or did not* modify architectural drawings that they were sent by Defendant Thomas, it is barred from relying on such evidence since it has maintained that it does not possess information about the drawings' modification or lack thereof.

B. Preclusion Order barring Defendant Thomas's Affirmative Defenses

The Court again declines to award sanctions on the basis that Defendant Thomas's identification of the factual bases of its affirmative defenses was late, because the Court did not set a deadline for response in its February 25th order. As for Plaintiff's argument that Defendant Thomas did not respond in good faith, the Court's order simply required Defendant Thomas to "identify the primary documents on which [Defendant] rely to support the identified affirmative defenses. It will be understood that the documents identified will not be an exhaustive list, but should provide Interplan with notice of the factual basis for these affirmative defenses." (Doc. No. 93 at 2.) Therefore, Defendant Thomas's provision of a list of Bates-numbered documents comports with the Court's order. To the extent that Defendant Thomas [*154] raises an affirmative defense not based on the list of Bates-numbered documents provided to Plaintiff on March 30, 2010, the Court will strike such defenses.

C. Order in Limine Barring Defendant Thomas from Relying on Financial Summaries

Plaintiff argues that Defendant Thomas should be prevented from presenting and relying upon the financial

summaries Thomas prepared as evidence of deductible expenses related to the gross revenue of the Speedy Stop Stores. Plaintiff's first basis for this request is unsupported by fact. Plaintiff claims that Defendant Thomas did not make the "backup" or documents underlying the financial summaries available in a timely manner. Plaintiff refers to an email dated March 22, 2010 in which it requested production of the underlying documents. However, this Court's February 25th order denied Plaintiff's motion to compel the production of documents and stated that, if Plaintiff wished to inspect the summaries' underlying documents, the Defendant only had to make these documents available at its offices for Plaintiff's inspection and limited duplication. Plaintiff's March 22nd email makes no request to access and inspect Defendant Thomas's underlying documents [*155] and instead asks for production of these documents. It appears that Plaintiff, not Defendant Thomas, is the party who has not complied with the Court's February 25th order. Plaintiff's inability to conduct a meaningful audit of Defendant Thomas's invoices appears to be due to its own failure to go to Defendant Thomas's offices rather than any purported deficiency in Defendant Thomas's financial summaries.

Plaintiff's second basis for barring Defendant Thomas's introduction of the financial summaries at trial is that these summaries are, in fact, summaries of summaries and inadmissible under [Federal Rule of Evidence 1006](#). In response to Plaintiff's request for intermediate summaries, Defendant Thomas produced "intermediate level" summaries after this Court's order on May 5, 2010. Plaintiff contends that these "intermediate level" summaries are still improper under [Rule 1006](#). The Court fails to understand what is improper about these summaries and will withhold ruling on this issue until Defendant Thomas attempts to introduce such evidence at trial.

D. Preclusion Order Barring Defendant Thomas from Offering Evidence of Attribution of Revenue to Third-Party

Plaintiff argues [*156] that Defendant Thomas should be prevented from offering any evidence that the gross revenues from the Speedy Stop stores are captured by a third-party, such as Speedy Stop Food Stores, LLC, that is not a party to this case. Defendant Thomas has argued in its Motion for Summary Judgment that Thomas only designed and constructed the Speedy Stop stores,

but that they are actually owned and operated by Speedy Stop Stores, LLC, a non-party to this litigation. Therefore, Defendant Thomas attempts to disclaim any gross revenue obtained by Speedy Stop Food Stores, LLC, as a way to calculate Defendant Thomas's "infringer's profits" under the Copyright Act and DMCA.

Plaintiff's first argument, that Defendant Thomas failed to timely disclose the existence of Speedy Stop Food Stores, LLC, does raise concerns about Defendant's behavior. On December 5, 2008, Defendant Thomas filed its original answer, in which it clearly stated, "Defendant does not operate Speedy Stop Food Stores. Speedy Stop Food Stores, LLC ("Speedy Stop" herein), formerly known as Speedy Stop Food Stores, Ltd. is in the business of operating Speedy Stop Food Stores. C.L. Thomas, Inc. is Speedy Stop's Manager. Speedy Stop is in [*157] the business of designing and constructing convenience stores, and C.L. Thomas, Inc. acts in its role as manager." (Doc. No. 12 at ¶ 19.) Its corporate disclosure statement, made on December 10, 2008, stated, "Defendant, C.L. Thomas, Inc. is not aware of any other entities that are financially interested in the outcome of this litigation. Other than Speedy Stop Food Store, LLC, a Texas limited liability company, of which C.L. Thomas, Inc. is the Manager." (Doc. No. 13 at ¶ 3.) Despite these earlier disclosures, Defendant Thomas stated in response to a question on the Joint Discovery/Case Management Plan ("List anticipated additional parties that should be included, when they can be added, and by whom they are wanted.") that "Defendant is unaware of any additional parties at this time." Similarly, in its responses to Plaintiff's motion to compel information about the gross revenues of the Speedy Stop stores, Defendant Thomas did not mention that this gross revenue was actually captured by Speedy Stop Food Stores, LLC. (Doc. Nos. 35, 38.) In September 2009, Plaintiff filed a motion for leave to file a first amended complaint, but did not seek to include Speedy Stop Food Stores, LLC as [*158] a new defendant. (Doc. No. 51.) Subsequently, Defendant Thomas produced financial information that clearly stated "Speedy Stop Food Stores, LLC" on top of each page. In November 2009, Defendant Thomas filed its first amended answer, in which it once again stated that it did not own the Speedy Stop stores, but that Speedy Stop Food Stores, LLC operated the stores. (Doc. No. 70 at ¶ 19.) Both the expert reports of Defendant's financial experts, James Mandel and Jeff Johanson, referred to financial summaries that contained the words "Speedy Stop Food

Stores, LLC" on top of each page. After reviewing these events in detail, the Court concludes that Defendant Thomas's behavior, while less than forthcoming, did not constitute active concealment or delay that is sanctionable.

Plaintiff next claims that the corporate formalities that distinguish Defendant Thomas from related business entities, such as Speedy Stop Food Stores, LLC, and Speedy Stop Food Stores, Ltd., should be ignored. Prior to June 29, 2007, Speedy Stop Food Stores, Ltd., a limited partnership, existed to own the real estate and capture the revenue from the Speedy Stop stores. Defendant Thomas was the sole general partner in [*159] Speedy Stop Food Stores, Ltd. Though Plaintiff correctly points out that, as a general partner, Defendant Thomas would be liable for any damages or obligations incurred by Speedy Stop Food Stores, Ltd., Plaintiff has not provided legal support for the opposite principle--that Speedy Stop Food Stores, Ltd. is responsible for the obligations of its general partner. It is the latter legal rule that is applicable here. Liability for copyright infringement, DMCA violations, and fraud in the present lawsuit turn on Defendant Thomas's conduct. Therefore, any award of damages will be awarded against Defendant Thomas, for which Speedy Stop Food Stores, Ltd. is not responsible.

On June 29, 2007, Speedy Stop Food Stores, Ltd. was merged into Speedy Stop Food Stores, LLC. Defendant Thomas is a manager and member of Speedy Stop Food Stores, LLC and owns 1% of the limited liability company. Plaintiff argues that the court should disregard the distinction between Defendant Thomas and Speedy Stop Food Stores, LLC because both are considered a combined entity, have combined financial reporting, have the same employees, and are ultimately both owned by Cliff and Cathy Thomas. However, two of the three [*160] cases that Plaintiff cites in support of the alter ego doctrine are no longer good law, having been superseded by statute. Rather, application of the alter ego theory in Texas requires a showing that the owner "caused the corporation to be used for the purpose of perpetrating and did perpetrate an actual fraud on the obligee primarily for the direct personal benefit of the . . . owner." See [Tex. Bus. Corp. Act Ann. art. 2.21\(A\)\(2\)](#) (Vernon 2003); [Tex. Bus. Org. Code ¶ 21.223](#); [Solutioneers Consulting, Ltd. v. Gulf Greyhound Partners, Ltd., 237 S.W.3d 379, 387 \(Tex. App. Houston 14th Dist. 2007\)](#). After taking the additional deposition of

Mr. Johanson, Plaintiff has not offered evidence that Speedy Stop Food Stores, LLC was created for the purpose of wrongful conduct. At most, its creation appears to have been for the purpose of "reduc[ing] franchise taxes." (Deposition of Jeff Johanson on May 14, 2010 at 133.) The Court cannot attribute the revenue of Speedy Stop Food Stores, LLC to Defendant Thomas on the basis of the alter ego theory.

The Court notes, however, that Plaintiff's claim for infringer's profits may not be completely foreclosed. In his deposition, Mr. Johanson acknowledged [*161] that Defendant Thomas possesses a 1% ownership interest in Speedy Stop Food Stores, LLC that is reflected on K-1 IRS form since the LLC is treated like a partnership.

E. Attorneys' Fees and Expenses

The Court has not found any of Plaintiff's requests for discovery sanctions to be meritorious and therefore declines to award attorneys' fees and expenses.

VI. MOTIONS FOR RULE 11 SANCTIONS AND ATTORNEYS' FEES AND COSTS

The Court defers Defendant's Motion for Sanctions Pursuant to [Rule 11](#) (Doc. No. 157) and Defendant's Rule 54(d) Motion for Attorney's Fees and Costs Under the Texas Theft Liability Act (Doc. No. 105).

VII. CONCLUSION

Based on the foregoing, it is hereby **ORDERED** that:

1. Plaintiff's Motion for Partial Summary Judgment for Infringement of Technical Drawings Copyrights (Doc. No. 108) is **DENIED**;

2. Plaintiff's Motion for Partial Summary Judgment (Ownership of Valid Architectural Works Copyrights (Doc. No. 110) is **DENIED**;

3. Plaintiff's Motion for Partial Summary Judgment on Defendant's Affirmative Defenses (Doc. No. 111) is **GRANTED IN PART** and **DENIED IN PART**:

a. Plaintiff is entitled to summary judgment on the defenses of lack of copyrightability, statute of limitations, estoppel, laches, [*162] unclean hands, fair use, fraud on Copyright Office, failure

to state a claim, intervening third parties, comparative responsibility, sufficient resources, reasonable and necessary attorney's fees, and defenses related to trade secret misappropriation claims;

b. Plaintiff is not entitled to summary judgment on the defenses of lack of originality, joint authorship, implied nonexclusive license, innocent infringement, failure to identify portions of copyrighted works, de minimis infringement, failure to mitigate damages, and impermissible taking;

4. Plaintiff's Objections to and Motion to Strike Defendant's Summary Judgment Evidence (Doc. No. 131) is **GRANTED IN PART** and **DENIED IN PART**:

a. Mr. Labeff's opinions on the copyrightability of Plaintiff's architectural designs and technical drawings, Mr. Labeff's conclusions about derivative works, Mr. Meijer's testimony about violations of the DMCA, and Mr. Urfi's statements about Mr. Meijer's permission to use third-party drawings are stricken;

5. Plaintiff's Objections to and Motion to Strike Defendant's Summary Judgment Opposition Evidence (Doc. No. 143) is **GRANTED IN PART** and **DENIED IN PART**:

a. Mr. Meijer's testimony about violations of the [*163] DMCA and Mr. Morris's testimony about the originality of Plaintiff's drawings are stricken;

6. Plaintiff's Motion for Discovery Sanctions Against Defendant C.L. Thomas, Inc. (Doc. No. 114) is **DENIED**;

7. Defendant's Motion for Summary Judgment (Doc. No. 104) is **GRANTED IN PART** and **DENIED IN PART**:

a. Defendant is entitled to summary judgment with respect to Plaintiff's claim that fraudulent misrepresentation was

made in November 2004;

b. Defendant is entitled to summary judgment with respect to Plaintiff's claim for actual damages under the Copyright Act and the DCMA;

8. Defendant's Motion to Dismiss for Lack of Subject Matter Jurisdiction All Claims Based on Unregistered Copyrighted Works (Doc. No. 119) is **DENIED**;

9. Defendant's Motion to Dismiss for Lack of Standing All Copyrights Registered and Owned by Marcel Meijer, Individually (Doc. No. 119) is **DENIED**;

10. Defendant's Motion to Strike Declaration of Marcel Meijer (Doc. No. 119) is **GRANTED IN PART** and **DENIED IN PART**:

a. Exhibits B-J to the First Meijer Declaration are stricken;

11. Defendant's Motion to Strike Exhibit V to Plaintiff's Opposition to Defendant's Motion for Summary Judgment (Doc. No. 138) is **GRANTED IN PART** and **DENIED IN PART**:

a. [*164] Paragraph 9 of Exhibit V is stricken;

12. Defendant's Motion to Strike Plaintiff's Motions

for Summary Judgment (Doc. No. 155) is **DENIED**;

13. Defendant's Motion for Sanctions Pursuant to [Rule 11](#) (Doc. No. 157) is **DEFERRED**;

14. Defendant's Rule 54(d) Motion for Attorneys' Fees and Costs Under the Texas Theft Liability Act (Doc. No. 105) is **DEFERRED**;

15. Morris's Motion for Partial Summary Judgment on Plaintiff's DMCA Claims (Doc. No. 109) is **DENIED AS MOOT**;

16. Hermes's Motion for Summary Judgment on Plaintiff's Copyright Act Claim (Doc. No. 102) is **DENIED AS MOOT**;

17. Hermes's Motion for Partial Summary Judgment (Doc. No. 101) is **DENIED AS MOOT**; and

18. Hermes's Motion for Order Regarding Joint & Several Liability (Doc. No. 103) is **DENIED AS MOOT**.

IT IS SO ORDERED.

SIGNED at Houston, Texas, on this the 27th day of October, 2010.

/s/ Keith P. Ellison

KEITH P. ELLISON

UNITED STATES DISTRICT JUDGE

TAB 6

Not Reported in F.Supp.2d, 2007 WL 2900599 (E.D.Tex.)
(Cite as: **2007 WL 2900599 (E.D.Tex.)**)

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Only the Westlaw citation is currently available.

United States District Court,
E.D. Texas,
Sherman Division.
LELAND MEDICAL CENTERS, INC., Plaintiff,
v.
Floyd R. WEISS, et al., Defendants.

No. 4:07cv67.
Sept. 28, 2007.

Robert W. Kantner, DLA Piper US LLP, Aimee Williams Moore, Melissa Armstrong, Baker Botts, Dallas, TX, for Plaintiff.

Gwen Michelle Rawls, Katharine Rebecca Howe, Webb & Webb, Plano, TX, Charles Joseph Crawford, Larry R. Boyd, Abernathy Roeder Boyd & Joplin, McKinney, TX, Katarzyna Wojtasiak Brozynski, Robert D. Ramage, Dykema Gossett PLLC, Mitchell Scott Milby, Milby Miller, Dallas, TX, Cline H. White, Nathan A. Ketterling, Jonathan D. Pauerstein, Loeffler Tuggey Pauerstein Rosenthal, San Antonio, TX, for Defendants.

ORDER REGARDING DEFENDANTS' MOTIONS TO STRIKE DANIEL JACKSON DON D. BUSH, United States Magistrate Judge.

*1 A number of motions have been filed by Defendants challenging the expert report and testimony of Plaintiff's expert, Daniel Jackson (Dkts. 212, 219, 224, and 281). The parties request that the Court exercise its broad discretion under *Daubert* and [Federal Rule of Evidence 702](#) to determine whether Jackson's opinions are reliable and supported.

STANDARD

An expert's testimony must be reliable at each and every step or else it is inadmissible. "The reliability analysis applies to all aspects of an expert's testimony: the methodology, the facts underlying

the expert's opinion, the link between the facts and the conclusion, et alia." *Knight v. Kirby Inland Marine Inc.*, 482 F.3d 347, 355 (5th Cir.2007) (quoting *Heller v. Shaw Indus. Inc.*, 167 F.3d 146,155 (3rd Cir.1999).

Federal Rule of Civil Procedure 702 in part provides that a qualified expert may testify in order to assist the trier of fact to understand the evidence or to determine a fact in issue if (1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case. [FED.R.EVID. 702](#). When evaluating expert testimony, the overarching concern is whether or not it is relevant and reliable. See *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 113 S.Ct. 2786, 125 L.Ed.2d 469 (1993).

In general, a copyright infringer is liable for either statutory damages or the copyright owner's actual damages and any additional profits of the infringer. [17 U.S.C. § 504\(a\)](#). "The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." [17 U.S.C. § 504\(b\)](#). Actual damages are the extent to which the market value of a copyrighted work has been injured or destroyed by an infringement. 4 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright*, § 14.02, at 4-14 (2005); see also *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 512 (9th Cir.1985).

As to profits, the statute provides further "[i]n establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." [17 U.S.C. § 504\(b\)](#). For the

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purposes of 17 U.S.C. § 504(b), “gross revenues” include only “gross revenues reasonably related to the infringement, not unrelated revenues.” *On Davis v. The Gap, Inc.*, 246 F.3d 152, 160 (2nd Cir.2001). Speculation should play no role in determining the amount of actual damages sustained. See *Abeshouse v. Ultragraphics, Inc.*, 754 F.2d 467, 470 (2nd Cir.1985).

“Gross revenue,” as defined in 17 U.S.C. § 504 (b), “does not mean the infringer's gross revenue from all of its commercial endeavors.” *Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505, 511 n. 9 (4th Cir.2002). Instead, “a copyright owner is only entitled to present the gross revenue for the infringer's line of business or project related to the infringement.” *Id.* The copyright holder must establish the existence of a causal link between the infringement and the infringer's gross revenue before the burden-shifting provisions of § 504(b) will apply. *Bonner v. Dawson*, 404 F.3d 290, 294 (4th Cir.2005). Failure to require a causal link is nothing more than allowing expression of any “pie in the sky” damage model. See generally *Polar Bear Productions, Inc. v. Timex*, 384 F.3d 700 (9th Cir.2004).

JACKSON'S PROFIT ANALYSIS

*2 Jackson's report sets forth his opinions on actual damages as well as profits. Profit (loss of profit) damages must be established with “reasonable certainty.” *Tex. Instruments Incorp. v. Teletron Energy Mgmt.*, 877 S.W.2d 276, 281 (Tex.1994). Such damages may not be based on evidence that is speculative, uncertain, contingent, or hypothetical. *Carter v. Steverson & Co.*, 106 S.W.3d 161, 165-66 (Tex.App.-Houston [1st Dist.] 2003, pet. denied). A plaintiff must adduce evidence from which the jury can reasonably estimate the amount. *Davis v. Small Bus. Inv. Co.*, 535 S.W.2d 740, 743 (Tex.Civ.App.-Texarkana 1976, writ ref'd n.r.e.). While some uncertainty as to the amount of damages is permissible, uncertainty as to the fact of damages will defeat recovery. *Id.* In this case, since there are no gross revenues generated by

the Bariatric Hospital, Jackson has opined that an acceptable measure of recovery is in effect an anticipated revenue stream based on Bariatric's pro forma projections.

The genesis of this controversy is one piece of paper depicting a design. According to Jackson this one piece of paper translates into a multi-million dollar damage award. According to Jackson's report, total damages represent a 15 to 30 fold increase in any profit for any hospital that Leland has ever been associated with, taking into consideration, license fees, management fees and profit participation. Naturally, all Defendants challenge the methodology.

Jackson's analysis as to “disgorgement of profits” begins with the concession that the hospital has never generated gross revenues. He uses a “2006 Budget” for the hospital prepared by Foundation as his starting point. Jackson states that gross revenues are projected to be approximately \$50,000,000; collected revenues of \$30,000,000 after “deductions”; and earnings before interest, taxes, depreciation and amortization in excess of \$10,000,000. He states that, each succeeding year, the hospital would most likely generate at least these levels of revenues and profits.

Jackson states that he performed two analyses in trying to reach an opinion as to fair market value. He states that when gross revenue will be recognized in the future, courts have relied upon the fair market value of the property as the most appropriate “proxy for gross revenues.” He cites two cases, evidently provided by counsel for this analysis. In *Van Bouck & Associates v. Darmik, Inc.*, 329 F.Supp.2d 924 (E.D.Mich.2004), the court awarded actual damages and profit damages to the copyright claimant. Interestingly, the case cited by Jackson finds that the actual damages should have been the amount the architect would have charged the infringers for the design. As to the award of profits, the court applied a fair market value test to the *residence* to determine the appropriate gross revenue when the house had not been sold.

Without commenting on whether the test meets the reasonable certainty test, the court notes that there was evidence from appraisers as to offers for the house as well as the listing price. Whether such evidence is even admissible as to fair market value need not be addressed for the purposes of this order. As a general rule in Texas, unaccepted offers to purchase are not competent evidence of fair market value. *Hanks v. Gulf Colo. & S.F. Ry.*, 159 Tex. 311, 320 S.W.2d 333, 336 (Tex.1959). However, *Van Bouck* does not support Jackson's methodology or conclusions as to market value. It doesn't even come close. Determining market value of real estate is far less conjectural than projecting the value of a business not yet operating with no facility and no revenue.

*3 Jackson also cites *Associated Residential Design, LLC v. Moloky*, 226 F.Supp.2d 1251 (D.Nev.2002). In that case, the home owners were the infringers of Associated's design. However, the home had not been sold. The court held that profits recoverable under § 504(b) can be divided into two categories: direct and indirect. *Id.*; see also *Mackie v. Rieser*, 296 F.3d 909, 914 (9th Cir.2002). The court held that even though direct profits could not be demonstrated, Associated could sue for indirect profits. *Associated*, 226 F.Supp.2d at 1255. The court held indirect profits involve "revenue that has a more attenuated nexus to the infringement." *Id.* (citing *Mackie*, 296 F.3d at 914). The court further noted that although indirect profits may be recovered by a copyright holder, those claims are frequently unsuccessful because profits must be "attributable to the infringement." *Id.* (citing § 504(b); 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 14.03[A] (2002) (explaining that, "[i]t does not suffice for a plaintiff to imagine *fantastic success*, if only the defendant had not gotten in the way") (emphasis added)). "(A) copyright holder must proffer sufficient non-speculative evidence to support a causal relationship between the infringement and the profits generated indirectly from such an infringement." *Id.* (citing *Mackie*, 296 F.3d at 915-16). The court

noted "(a)lthough the Molotkys have not sold their home, it is possible that they have 'profited' from its construction. That is, the value of the home could be greater than the cost to build it. In this sense, the Molotkys may have realized revenue from the construction of the home. We believe that this view is in line with Congress' intent in drafting § 504(b)." *Id.* at 1256.

Associated does not support Jackson's methodology or conclusions. Other courts have also required that the plaintiff demonstrate a nexus between infringement and indirect profits. See, e.g., *Mackie*, 712 F.2d at 915; *Univ. of Colo. Found. v. Am. Cyanamid Co.*, 196 F.3d 1366, 1375 (Fed.Cir.1999) (holding that the plaintiff has the "burden" to demonstrate a nexus between the infringement and the indirect profits before apportionment can occur); *Bus. Trends Analysts, Inc. v. Freedomia Group, Inc.*, 887 F.2d 399, 404 (2nd Cir.1989) (holding that a plaintiff can recover indirect profits in the form of "value received from an infringing product used to enhance commercial reputation" if it first demonstrates that "the amount of an award is based on a factual basis rather than undue speculation") (internal quotation marks omitted); see also *Estate of Vane v. The Fair, Inc.*, 849 F.2d 186, 189-90 (5th Cir.1988) (affirming district court's refusal to award indirect profits damages allegedly resulting from infringing use of photographic slides in advertising); cf. *Taylor v. Meirick*, 712 F.2d 1112, 1122 (7th Cir.1983) (noting in direct profits context that "[i]f General Motors were to steal your copyright and put it in a sales brochure, you could not just put a copy of General Motors' corporate income tax return in the record and rest your case for an award of infringer's profits.").

*4 When financial records sufficiently detailed to show an infringer's sales are not available, expert testimony may be used to develop either such proof or, as Leland attempted, proof of profits, rather than sales. But it is the trial court's role to evaluate this testimony. *Vane*, 849 F.2d at 186. In *Vane*, the Fifth Circuit noted that the expert's testimony was flawed

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because the expert's loss of profit calculation did not account for that portion in the calculation that was attributable to the infringing matter. *Id.* Where a business is not established, Texas precedent has long taken a dim view of trying to determine profits. *Southwest Battery Corp. v. Owen*, 131 Tex. 423, 115 S.W.2d 1097 (Tex.1938). Companies are free to create speculative, optimistic, and conjectural projections and to rely upon them in making business decisions. However, the mere existence of similar projections created by a company other than the plaintiff does not obviate the need for courts to apply the "reasonable certainty" test, nor does it indicate conformity with this legal standard. See generally *Ramco Oil & Gas Ltd. v. Anglo-Dutch (Tenge) L.L.C.*, 207 S.W.2d 801 (Tex.App.-Houston (14th Dist.) 2006, pet. denied).

Here Jackson's "Field of Dreams" analysis seems to be premised on the concept of build it and they will come. Yet, he fails to account for revenue not attributable to the hospital design. In fact, he wrongly concludes that it is the Defendants' burden to figure out what revenue is attributable to the infringing act. The plaintiff has the burden to demonstrate a nexus between the infringement and indirect profits. See *Straus v. DVC Worldwide, Inc.*, 484 F.Supp.2d 620 (S.D.Tex.2007). According to his report all revenue no matter how generated should be taken into account as indicia of profits. Therefore, revenue from physician charges, pathology studies, room charges, lab fees, x-ray charges, MRI or CT scan studies, meals, needles, glucose, anesthesia, medicines, gowns, disposable diapers, foot protectors, and surgical supplies-to name a few-all are attributable to Leland's creative design. Adopting Jackson's methodology is tantamount to holding that people who come to the bariatric hospital do so for the design, not to get rid of excess fat. His report in most respects is pure conjecture and speculation, so much so that the analysis should stop here. However, read on.

In Texas, courts have long favored the comparable sales approach when determining the market

value of real estate property. *City of Harlingen v. Estate of Sharboneau*, 48 S.W.3d 177, 182 (Tex.2001); *United States v. 320.0 Acres of Land*, 605 F.2d 762, 798 (5th Cir.1979). Although many cases arise in the context of a condemnation, the approach in appraising a property to determine value for a loan or collateral is no different than that of a condemnation. Under this approach, "[c]omparable sales must be voluntary, and should take place near in time to the condemnation, occur in the vicinity of the condemned property, and involve land with similar characteristics." *City of Harlingen*, 48 S.W.3d at 182; see also *United States v. Trout*, 386 F.2d 216, 223 (5th Cir.1967). Furthermore, "[c]omparable sales need not be in the immediate vicinity of the subject land, so long as they meet the test of similarity." *City of Harlingen*, 48 S.W.3d at 182. Finally, "if the comparison is so attenuated that the appraiser and the fact-finder cannot make valid adjustments for these differences, a court should refuse to admit the sale as comparable." *Id.*; see also *Kraft*, 77 S.W.3d at 808.

*5 Although Jackson's resume is long and presumptively impressive, it contains no information which demonstrates that he has any certification or experience in determining market value of real property. The two cases noted in his report which he uses to support his market value theory involve a determination of market value of real property, not business value. Somehow he extrapolates the holdings in these two cases to support his proposition that business value using a market approach is also appropriate. He states that he has calculated the fair market value of the hospital. However, his calculation totally fails to use comparable property analysis or any other accepted real property appraisal technique. He then goes on to state that (to) determine the fair market value of an operating entity it is necessary to perform a valuation of that business enterprise. Of course, all agree that the hospital is not an operating entity.

Throughout his analysis, Jackson continues to mix "apples and oranges" in his assessment. Al-

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though he acknowledges in a market business analysis that the proper approach is to look at comparable properties, his analysis looks at two “primary data sources.” He first cites *The Hospital M & A Market: Five Year Review & Outlook*. Then he states that he downloaded all transactions available through Capital IQ which fall into the industry groups of Specialty Hospitals. From this, he extrapolates “reasonable multiples” for the bariatric hospital. From this, he determines an implied valuation in the range of 30.2 million to 73.7 million. Again, there is no indication of what comparable he examined, if at all. In the end analysis, the Fifth Circuit has cautioned against the very approach that Jackson has used. Any damage model based on speculative revenues and operating profit from an unbuilt facility, is in an of itself, inherently speculative. *Carbo Ceramics, Inc. v. Keefe*, 166 Fed. Appx. 714 (5th Cir.2006) (citing *Metallurgical Industries, Inc. v. Fourtek, Inc.*, 790 F.2d 1195 (5th Cir.1986)).

The income approach to value proceeds on the premise that a buyer of income-producing property is primarily interested in the income its property will generate. *Polk County v. Tenneco, Inc.*, 554 S.W.2d 918, 921 (Tex.1977). The income method involves estimating the future income of the property and applying a capitalization rate to that income to determine market value. *Id.*; *City of Dallas v. Redbird Dev. Corp.*, 143 S.W.3d 375, 384 (Tex.App.-Dallas 2004, no pet.). The capitalization rate is the rate of interest investors would require as a return on their money before they would invest in the income-producing property, taking into account all the risks involved in that particular enterprise. *City of Dallas*, 143 S.W.3d at 384.

Jackson's “income approach” analysis is flawed primarily for the reasons noted above. All revenues are attributed to the infringement of Leland's design. He first notes that the Foundation Defendants have not produced as much information as he would have hoped to analyze. He also notes that he has only one year of cash flow projections. He se-

lects a discount rate of 22% but provides no analysis except in an annotation to his chart of the components of this rate. His testimony is simply speculative, conjectural, and his methodology is flawed throughout.

*6 An analysis of the hospital's real property value after completion minus construction costs is, in the Court's opinion, the proper manner to determine the type of profits Leland seeks when gross revenues are not available. See *Christopher Phelps & Associates, LLC v. Galloway*, 492 F.3d 532 (4th Cir.2007).^{FN1} Jackson's testimony as to the fair market value of the hospital (for profit analysis) whether utilizing his “income analysis or his market analysis” is stricken.

FN1. This case as well as the *Van Brough* and *Associated* cases provide a blueprint of how to determine profits in real property when property has not been sold. One need not be an architect to understand the design.

As to the remainder of Jackson's opinions as to gross revenue, the Court finds that his opinion does not assist the jury. There appears to be little dispute as to the gross revenues received by Huffman and Studio 5G. Presumably, Leland has admissible evidence of gross revenues. Jackson does not attempt to apportion the revenues but merely states that lost profits equal the total gross revenue to Huffman and Studio 5G. His testimony is not necessary on a matter not in dispute. This does not mean that Jackson cannot testify in rebuttal should Huffman and Studio 5G present evidence as to gross revenues which were not fairly disclosed in discovery or are significantly lower than what was previously anticipated by all parties.

ACTUAL DAMAGES

Actual damages are measured by “the extent to which the market value of the copyrighted work at the time of the infringement has been injured or destroyed by the infringement.” *Fitzgerald Publ'g Co., Inc. v. Baylor Publ'g Co., Inc.*, 807 F.2d 1110,

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1118 (2nd Cir.1986) (citation omitted). In appropriate circumstances, actual damages may be taken to be a reasonable license fee, that is, the fair market value of a license authorizing the defendant's use of the copyrighted work. See *On Davis v. Gap, Inc.*, 246 F.3d 152, 164-68 (2nd Cir.2001). This measure of damages contemplates “a negotiation between a willing buyer and a willing seller” and does not depend on whether the copyright infringer was *in fact* willing to negotiate for a license. *Id.* at 172. Rather, “[an] honest purchaser is hypothesized solely as a tool for determining the fair market value of what was illegally taken.” *Id.* See also *Thoroughbred Software Intern., Inc. v. Dice Corp.*, 488 F.3d 352 (6th Cir.2007). Actual damages are generally calculated with reference to the loss in the fair market value of the copyright, often measured by the profits lost as a result of the infringement. See, e.g., *Eales v. Envtl. Lifestyles, Inc.*, 958 F.2d 876, 880 (9th Cir.1992), *cert. denied*, 506 U.S. 1001, 113 S.Ct. 605, 121 L.Ed.2d 541 (1992); see generally 3 *Nimmer* § 14.02[A], at 14-8 to 14-9.

According to Jackson, the appropriate measure of Leland's actual damages is the “royalty test” or “market value test.” Jackson does not rely on the royalty test because Leland has not licensed any third party to use its floor plan design in “isolation.” Jackson does concede that Leland provided a one-time floor design to Erdman & Associates in return for a licensing fee of \$180,000. However, Jackson states that this fee was also in addition to other remunerations that Leland expected to receive from development fees and management fees. Jackson notes another fee of \$75,000 for the Physician's Metroplex hospital design. Jackson mentions that there were other agreements associated with this license but does not specify the other agreements. Jackson also refers to the Trophy Club Physician's Hospital but states that the proposed fee never came to fruition. Jackson states that none of the license fees quoted are representative since Leland's modus operandi was to secure other benefits which were potentially more lucrative. However, Jackson's analysis is short sighted.

*7 The question is not what Leland would have charged, just as it is not relevant what Foundation would have paid. The inquiry is an objective one into the resultant fair market value after negotiation between a willing buyer and seller. *Country Road Music, Inc. v. MP3.com, Inc.*, 279 F.Supp.2d 325 (S.D.N.Y.2003). For Jackson to discount this approach because Leland would not license without obtaining other financial incentives applies a subjective test, not an objective one.

Jackson claims that the market value test is the best method to measure Leland's damages. It is Leland's burden to demonstrate that his design had a fair market value. *On Davis v. The Gap, Inc.*, 246 F.3d at 166. However, mathematical precision is not required. *Stevens Linen Assocs. v. Mastercraft Corp.*, 656 F.2d 11, 14 (2nd Cir.1981). Although the Act itself does not define what constitutes actual damages, the primary measure of recovery is the extent to which the market value of the copyrighted work at the time of infringement has been injured or destroyed by the infringement. Failure to apply this measure in weighing actual damages is error. See generally *Fitzgerald Pub. Co., Inc. v. Baylor Pub. Co., Inc.*, 807 F.2d 1110 (2nd Cir.1986). Although courts allow an appropriate license fee to be taken into consideration on the issue of market value, this Court has found no cases to support what Jackson purports to do. Jackson appears to base his damage number of \$750,000 to \$1,250,000 on four factors: the financial incentives necessary to entice Leland to dispose of his interest in the West Texas hospital; the anticipated fees Leland would have earned on proposed projects; the efficiency in the design; and the anticipated profits to be earned by the Foundation defendants.

As to the category “Financial Incentives to Dispose of Leland's Interest,” the Court finds that this is not part of the actual damage rubric contemplated by the Act. What Leland would hope to earn as a profit interest in some other hospital bears no relationship to the market value diminution or injury to his single page schematic of a hospital. To argue

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that this is an element for consideration in actual damages circumvents the Copyright Act. *See generally Barrera v. Brooklyn Music, Ltd.*, 346 F.Supp.2d 400 (S.D.N.Y.2004). As to “fees,” Jackson takes into consideration Leland's desired profit participation in a hospital as well as Leland's desire to receive compensation as a manager of the hospital. These factors have nothing to do with the disputed copyright design. What was said concerning the first factor applies to this factor as well.

The Court finds that the efficiency of design consideration has some merit in analyzing the market value of the design. However, it is impossible from the report to comprehend what portion of the actual market value is attributable to efficiency.

As to Foundation's “profits,” the Court finds that such is merely speculative. In any event, Jackson has not demonstrated how Foundation's profits translate into his actual damage number. Nor has he provided any assurances that these profits were not taken into account in his profit analysis. If these profits are part and parcel of his disgorged profit analysis, then Leland is to some extent “double dipping” on the damages. Jackson appears to be doing exactly what 17 U.S.C. Section 504(b) proscribes.

*8 Moreover, Jackson's testimony practically strips Leland of any causation claim. Leland has the burden to show that, but for Foundation's infringement, it would not have suffered a loss. *Data General Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147 (1st Cir.1994). As Jackson notes, Leland and Foundation are essentially competitors. Leland would not have furnished its design without a right to participate in some level in profits as well as management. According to Jackson, Leland would not have participated in this hospital nor would Foundation have hired Leland on the terms Leland usually sought. At least many of the factors considered by Jackson in Leland's previous design and build experience would never have to come to fruition on this project. The Court finds that Jackson's testimony is not reliable and merely speculative as to actual damages and should be accordingly

stricken.

Defendants' various motions to strike (Dkts. 212, 219, 224, and 281) are therefore granted.

SO ORDERED.

SIGNED this 27th day of September, 2007.

E.D.Tex.,2007.

Leland Medical Centers, Inc. v. Weiss

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END OF DOCUMENT

TAB 7

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Only the Westlaw citation is currently available.

United States District Court,
N.D. California.
MONSTER CONTENT, LLC, Plaintiff,
v.
HOMES.COM, INC., Defendant.

No. C 04-0570 FMS.
June 28, 2005.

James P. Martin, Tracy L. Salisbury, Tracy A. Donsky, Shartsis Friese LLP, San Francisco, CA, Charles W. McElroy, White & Reasor, Nashville, TN, for Plaintiff.

Gerald Patrick Kennedy, Procopio, Cory, Hargreaves & Savitch, San Diego, CA, for Defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW INTRODUCTION

SMITH, J.

*1 Plaintiff Monster Content, LLC ("Monster Content") filed suit against defendant HOMES.COM, INC. ("Homes") on February 10, 2004 alleging breach of contract. The contract in dispute was a licensing agreement under which Homes provided its customers with access to various products marketed under the names of "Channel Reports" and "Listings Plus" developed by plaintiff's predecessor-in-interest, MonsterDaata ("MDI"). By Order dated January 7, 2005, the Court denied a motion for partial summary judgment filed by Homes and found that Monster Content's claim was not barred by Homes's completed bankruptcy proceeding. By Order dated May 19, 2005, the Court denied another motion for partial summary judgment filed by Homes and found that there was no ambiguity as to the delivery method intended for the "subset of the School data" referenced in the licensing agreement. The case was

tried to the Court from June 20, 2005 to June 21, 2005. The Court's Findings of Fact and Conclusions of Law follow.

FINDINGS OF FACT

The Parties

1. Monster Content is the successor, by a series of asset purchases, to the assets of two predecessor owners, MDI and Fishman & Davis, LLC ("F & D"). (Monster Content, MDI and F & D are sometimes hereafter referred to individually or collectively herein as the "Licensor"). Among the MDI/F & D assets acquired by Monster Content were the products and databases at issue in this litigation.

2. The Licensor was in the business of providing Internet-based data report products, including various products marketed under the names "Channel Reports" and "Listing Plus." "Channel Reports" products, included, inter alia, "People," "Equipment," "Money," "Lifestyle," "Community," "Schools" and "Schools Lite." "Schools Lite" was both a "Channel Reports" product and a "subset" of the "Schools" "Channel Reports" product in that it included some, but not all of the features offered in the full "Schools" product. Statement of Undisputed Facts (hereinafter, "SUF"), ¶ 11.

3. MDI ceased its business operations on or about April 26, 2002, although its services to customers were continued through the efforts of former employees working in cooperation with MDI's secured creditor, Commerce Capital, L.P. SUF, ¶ 16.

4. Since 1998, Homes has operated an internet-based real estate listing service centered around a consumer portal located at www.homes.com© (the "Homes Portal"), and websites sold to and maintained for real estate agents and brokers (the "Agent Advantage/Broker Advantage Sites" or "AA/BA" sites). SUF, ¶ 2.

5. Homes receives a one-time up front fee from the sale of the AA/BA Site templates to brokers and agents who then with the assistance from Homes, create and set up their own AA/BA Site, which is then also linked to the Homes Portal. SUF, ¶ 3.

6. In addition to the one-time up front fee, Homes charges recurring monthly fees to all of its customers with AA/BA Sites, and during the time of the transactions at issue in this case, the basic monthly fees, without “add-ons” was \$59.00 per month for each AA site and \$99.00 per month for each BA site.

*2 7. On or about March 23, 2001, Homes filed a Chapter 11 bankruptcy in the Northern District of California, Case No. 01-30698-SFM11 (the “Homes Bankruptcy”). SUF, ¶ 5.

The Agreement

8. On or about March 18, 2002, with an effective date of April 1, 2002, MDI as Monster Content's predecessor-in-interest and as Licensor, and Homes as Licensee, entered into the license agreement which is the subject of this case (the “Agreement”). See Ex. 1.

9. A substitute version, executed effective July 22, 2002, was identical to the first version except that it substituted F & D as the Licensor, following F & D's purchase of substantially all of MDI's assets. See Ex. 2. Monster Content subsequently purchased substantially all of the MDI/F & D assets, and brought this action as the owner of the licensed products and all of the rights of the Licensor under the Agreement.

10. The recital paragraph of the Agreement sets forth the purpose of the contract, that the “Licensee wishes to license [the Licensor's] “Listing Plus and Channel products (“Products”) ... in accordance with the terms and conditions set forth herein, which will enable Licensee to incorporate certain neighborhood information content into the web sites it provides for Licensee Cus-

tomers as a value added enhancement.” Ex. 1 at 1.

11. In Section IV, the Agreement set forth the prices to be charged to Licensee customers for Listing Plus and two Channel products, “Community” and “Schools” (the “Licensed Products”) as follows: “(i.) Listing Plus-\$19.95 per month or annualized and paid up front at \$199; (ii.) Channels (Community and School combined)-\$19.95 per month or annualized and paid up front at \$199; (iii.) Both Listing Plus and Channels-\$29.95 per month or annualized and paid up front at \$299.” The parties were to share the revenue from the Licensed Products equally, after a 4% deduction to the billing party for merchant bank charges. *Id.* at 3.

12. Section 1.1 of the Agreement provides that the Licensed Products were to be hosted and maintained on “servers operated and maintained by or at the discretion of the Licensor,” with Homes's Customers to be granted direct access to the Products through the Internet. The Licensor, in turn, agreed to provide “reasonable communications bandwidth” to enable access to the Products by Homes and its Customers. *Id.* at 1.

13. In addition, Section 1.1 of the Agreement also provided that the Licensor would provide Homes with a “bulk data delivery of a subset of the School data as a replacement for what is already on Licensee's site. This data will be updated annually on servers operated and maintained by Licensee.” *Id.*

14. Homes and Monster Content agree that the term “bulk data delivery” as used in the Agreement refers to a one-time data feed that Homes could then store, manipulate, format and access from its own computers or servers. *Cf.* SUF, ¶ 12.

15. The school data that was already on the Homes Portal prior to the MDI Agreement was data that Homes had obtained in a bulk format from 2001Beyond, and was located and stored on

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Homes's servers and was accessed by customers from their websites for free through Homes's database, not by linking out to a third-party web site. SUF, ¶ 13.

*3 16. At the time the Agreement was signed, Homes preferred to obtain the school data in "bulk" the way it had obtained the data from 2001Beyond because getting the bulk data gave Homes and its AA/BA customers more control over how the content would be displayed and formatted, and thereby precluded customers from leaving either the Homes Portal or the particular AA/BA Site as a result of a link.

17. The Agreement does not provide for any payment to be made by Homes or Homes's customers for the "bulk data delivery of a subset of the School data." SUF, ¶ 14. In fact, the Agreement was admittedly intended to provide this information for free.

18. Section 2.1 of the Agreement provides, in relevant part, as follows: "Licensee acknowledges and agrees that it may not reproduce, sell, sublicense, create derivative works from, transfer or otherwise derive revenue from the MonsterDaata Content, except as expressly provided ... Except as set forth in this agreement ... Licensee may not use the MonsterDaata Content for any other purpose and may not reproduce or provide the MonsterDaata Content in any other format."

19. Section 10.5 of the Agreement states that it shall be governed by New York law.

20. With MDI's knowledge, Homes had entered into another agreement with eSchool Profile ("eSchool") to provide school data by way of a direct link from the Homes Portal and AA/BA Sites for a flat annual fee of \$5,000, also effective April 1, 2002 (the "eSchool Agreement").

The Implementation of the Agreement with respect to the School data

21. Beginning in mid-March 2002, the technical

programmers for MDI and Homes sought to implement the terms of the MDI Agreement. SUF, ¶ 15.

22. In late March and early April, the Homes technical programmers exchanged internal emails discussing how to implement the part of the agreement pertaining to the free School data, as documented below. On April 5, 2002 a conference call was held that included technical programmers for both Homes and MDI.

23. At Homes's request, MDI provided Homes with a separate link to the Schools Lite channel on or about April 5, 2002 (the "Schools Lite link"). SUF, ¶ 18.

24. MDI did not provide any school data in bulk to Homes prior to MDI ceasing business operations on or about April 26, 2002. SUF, ¶ 17.

25. Beginning on May 1, 2002, Schools Lite became the "default" school information on the AA/BA Sites. SUF, ¶ 19.

26. Homes issued what it referred to as a joint press release with MDI announcing the availability of the Products under the MDI Agreement on May 1, 2002. SUF, ¶ 20.

Changes in the Licensor's Business and Discovery of the Alleged Breach

27. Prior to MDI ceasing operations on or about April 26, 2002, MDI's secured lender, Commerce Capital, L.P. ("Commerce") had a business relationship with Matthew Greene ("Mr. Greene") (who later became Monster Content's principal) and his company, Linux HPC ("Linux"). SUF, ¶ 24.

*4 28. After MDI ceased operations on or about April 26, 2002, Commerce requested Mr. Greene/Linux to provide technical software consulting services to MDI's Vice President of Business Development, Andrew Fishman ("Fishman"), and MDI's Vice President of Sales and Marketing, Brent Davis ("Davis"), who had expressed in-

terest in acquiring all of MDI's assets from Commerce. SUF, ¶ 25.

29. On July 3, 2002, F & D acquired substantially all of MDI's assets at a private foreclosure sale by Commerce (the "First Foreclosure"). SUF, ¶ 30.

30. The MDI Agreement was terminated and the F & D Agreement executed on or about July 22, 2002. SUF, ¶ 31.

31. Homes's customers continued to be provided with free access to Schools Lite through the Schools Lite Link after the First Foreclosure. SUF, ¶ 32.

32. F & D defaulted on its loan obligations to Commerce and Commerce exercised its proxy rights to remove Messrs. Fishman and Davis and to appoint Mr. Greene to assume responsibility for the management and day-to-day business operations of F & D on or about September 4, 2002. SUF, ¶ 36.

33. Mr. Greene managed F & D's business operations pending the foreclosure on F & D's assets by Commerce (the "Second Foreclosure"), and the sale of the assets to Monster Content on or about September 17, 2002. SUF, ¶ 37.

34. At the time Monster Content acquired all of F & D's assets through the Second Foreclosure by Commerce, approximately 8% of F & D's revenues were generated by all of the Channel products.

35. At all times between September 16, 2002 and July 1, 2004, in his capacity as Monster Content's Chief Manager, Mr. Greene was responsible for managing Monster Content's day to day business operations. SUF, ¶ 40.

36. Mr. Greene did not review the terms of the Agreement until sometime between September 16, 2002 and November 2002, after Monster Content acquired F & D's assets through the Second Foreclosure. SUF, ¶ 41.

37. At or about the time Mr. Greene reviewed the Agreement sometime between September 16, 2002 and November 2002, Mr. Greene also reviewed financial books and records of the company. SUF, ¶ 42.

38. It was Homes's responsibility to report revenues under the Agreement, and also Homes's responsibility to collect from its customers to pay Monster Content its share of the revenue pursuant to the Agreement. SUF, ¶ 44.

39. At the time Mr. Greene reviewed the server reports sometime in the fall or winter, he was surprised there were significant volumes of requests by Homes's customers, and became concerned Homes had not made any payments or provided any monthly reports as required under the Agreement. SUF, ¶ 45.

40. Based upon Mr. Greene's review of the Agreement, the server logs and financial books and records, Mr. Greene believed between September 16, 2002 and November 2002, that Homes's customers were improperly obtaining access to Monster Content's Products without charge, but he did not discuss the fact with any representative of Homes.

*5 41. On October 9, 2002, Homes sent an email to Annessa Becker at Monster Content regarding "MonsterDaata Schools Lite Issue (new)," stating that "[t]he Schools Lite feed that we used for the portal for schools information appears to have stopped working: the URL that should be displayed comes back with a '500 Server error.'" SUF, ¶ 46. The problem was corrected by Monster Content soon after.

42. In mid-February 2003, Homes sent its first payment and report of revenue that it acknowledged was owed to Monster Content under the Agreement, including payments for a share of fees received by Homes in each month between May 2002 and January 2003, inclusive. SUF, ¶ 51. The Homes payment report reflected less than

30 paying customers. Payments under the Agreement totaled \$6,861.36.

43. Because of the small amount of the payment, Mr. Greene decided to perform an analysis of the server logs to determine the number of Homes customers that had actually accessed the Channel products. Mr. Greene concluded that 54,546 Homes customers had improperly accessed Schools Lite between May of 2002 and February of 2003.

44. On or about February 25, 2003, Monster Content notified Homes of the alleged breach of the Agreement. *SUF*, ¶ 52.

45. Homes denied any wrongdoing under the Agreement, but voluntarily agreed to terminate the Schools Lite link from either the Homes Portal or AA/BA Sites in April 2003. *SUF*, ¶ 53.

46. Homes would have immediately terminated the School Lite link if at anytime prior to being provided the Greene Analysis in February 2003, it had been informed by Monster Content or F & D and MDI as Monster Content's predecessors-in-interest that its access to the Schools Lite link was improper.

47. Upon terminating the use of the Schools Lite link, Homes made eSchool the primary provider of its free schools data for the AA/BA Sites and Homes Portal, by way of a direct internet link to eSchool.

48. Pursuant to the eSchool Agreement, Homes initially paid eSchool the annual sum of \$5,000 for the free school data on the Homes Portal and AA/BA Sites, later increased to \$10,000 as of April 1, 2004.

49. In July 2004, Mr. Greene transferred his interest in Monster Content to Commerce in full and complete satisfaction of Monster Content's obligation owing to Commerce.

50. On or about September 7, 2004, Monster

Content ceased conducting business and terminated access to the Licensed Products to Homes's paying customers under the Agreement.

CONCLUSIONS OF LAW

Breach of Contract

1. Plaintiff contends that Homes breached the Agreement by providing to its customers the right to direct access to the Schools Lite product, free of charge and without any compensation to Plaintiff. Plaintiff specifically contends that Homes breached Section 2.1 of the Agreement, which prohibited Homes from reproducing, selling, transferring or otherwise deriving revenue from the MDI Content, except as expressly provided in the Agreement. In order to prevail on a breach of contract claim under New York law, a plaintiff must prove, by a preponderance of the evidence: (1) the existence of a contract; (2) adequate performance of the contract by the plaintiffs; (3) breach of contract by the defendant; and (4) damages. *See Terwilliger v. Terwilliger*, 206 F.3d 240, 245-46 (2d Cir.2000).

*6 2. The Court finds that the Agreement was not breached because Schools Lite was not part of the Agreement. In the Agreement, there is no mention of the Schools Lite product and there was no provision of payment for the Schools Lite product.

3. Although Schools Lite was not a part of the Agreement, the Agreement provided for a free "bulk data delivery of a subset of the School data." As previously stated in this Court's Order of May 19, 2005, "there is no reasonable doubt that [the parties] contracted for a free bulk data delivery rather than a free direct link to the school data." The Court's Order of May 19, 2005 also states, "Although the Agreement does not clearly state what data was to be included in the 'subset of the School data,' the content of the subset is not at issue in this case. Rather, the issue is whether that content would be provided by way of a bulk data delivery or a direct link." The Court thus previously found that, under the

Agreement, Homes was entitled to the content of the Schools Lite product in the format of a bulk data delivery.

4. Even if the Court found that Homes breached the Agreement, the Court would have only found a breach as to the delivery method or format of the Schools Lite data and not as to its content.

Acquiescence and Ratification

5. Homes raises acquiescence and ratification as an affirmative defense. The Court finds that Homes has carried its burden of showing that the Licensor acquiesced to and ratified the decision to substitute the link to Schools Lite for the “bulk delivery of a subset of School data.” On this basis, the Court finds that Monster Content is barred from asserting its claim.

6. Under New York law, acquiescence is defined as follows: “When a party with full knowledge, or with sufficient notice of his rights and of all the material facts, freely does what amounts to a recognition or adoption of a contract or transaction as existing, or acts in a manner inconsistent with its repudiation, and so as to affect or interfere with the relations and situation of the parties, he acquiesces in and assents to it and is equitably estopped from impeaching it, although it was originally void or voidable.” *Bisbing v. Sterling Precision Corp.*, 34 A.D.2d 427, 430-431, 312 N.Y.S.2d 305 (N.Y.App.Div., 1970), citing *Metropolitan Life Ins. Co. v. Childs Co.*, 230 N.Y. 285, 292, 130 N.E. 295; *Wikiosco, Inc. v. Proller*, 276 App. Div. 239, 94 N.Y.S.2d 645; *Posner v. New York Mut. Underwriters*, 33 Misc.2d 653, 226 N.Y.S.2d 1011, affd. 16 A.D.2d 1013, 229 N.Y.S.2d 160.

7. A ratification in the contractual context is defined in modern legal usage as “[a] person’s binding adoption of an act already completed but ... not done in a way that originally produced a legal obligation.” Black’s Law Dictionary 290 (8th ed.2004). It is a generally accepted principle that a voidable contract can be cured by ratifica-

tion through express or implied conduct, but that a person “charged with ratification of such a contract must have acted voluntarily and with full knowledge of the facts.” 17A Am.Jur.2d Contracts § 11 (2004). Moreover, a party asserting the defense of ratification of a voidable contract ordinarily must demonstrate that the releasor intended to ratify the agreement. See *Kovian v. Fulton County Nat’l Bank & Trust Co.*, 857 F.Supp. 1032, 1040 (N.D.N.Y.1994) (holding that the issue of intent to ratify a release was a question of material fact).

*7 8. The Court finds that the Licensor’s conduct satisfies the elements of acquiescence and ratification.

9. During the implementation of the Agreement, the correspondence between the parties and their conduct supports an inference that the Licensor’s representative Henry (Hank) Hubbard (“Hubbard”) agreed to the suggestion by Homes’s representatives that Homes use Schools Lite data in the form of a direct link rather than in the form of a bulk data delivery. The evidence supporting this conclusion includes the following course of correspondence and conduct:

- On Wednesday, March 27, 2002, Henry Hubbard (“Hubbard”), a representative of MDI, wrote an email to Homes representatives, Joel Parramore (“Parramore”) and Russell de Grove (“de Grove”), which included a link giving Homes access to Channel Reports and Listing Plus, which were covered under the Agreement as Licensed Products. See Ex. 36, at Homes 42.

- On Friday, March 29, 2002, Parramore requested that Hubbard add Schools Lite to the Channel Reports to which Homes had access “so that we can compare against the full Schools report.” On the same day, Hubbard responded “I should have thought about that the first time around! Done ...” See Ex. 36, at Homes 42.

- On Friday, March 29, 2002, Parramore sugges-

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ted to other Homes employees Patty McNease (“McNease”) and de Grove, “MonsterDaata's Schools Lite Channel looks to have most of what we offer now. What if we simply picked that as the “freebie” to display on the portal and AA/BA sites and just had their full schools as the “up-sell”? See Ex. 36, at Homes 57.

- On Wednesday, 4/3/02, email communications among Hubbard, de Grove and Parramore suggested that there would be a conference call about the “import of limited school data” on Thursday, 4/4/02 at 3 pm. Ex. 36, at Homes 52.

- On Wednesday, 4/3/02, Parramore suggested two options to de Grove regarding how to use the Schools Lite data: “Getting Schools Lite and displaying some subset of it ourselves is one option; opening another window and simply framing Schools Lite for the freebie (and the full Schools channel if they've paid) is the other ... If agents/brokers squawk about it not being in-line, that's a concern, but from the portal perspective, displaying in a frame (a la how “partners” are handled) would be almost trivial.” Parramore responded, “I'd rather wait and let all three of us meet on this.” Ex. 36, at Homes 60.

- On Wednesday, 4/3/02, de Grove sent an email to other Homes employees McNease, Parramore, and Perkins to show them how the Schools Lite link could be used. The email stated “These pages assume we will simply use Schools Lite, hosted at their end, to replace our current school product (John, FYI, it occurred to Patty and me that if channels is a link-out, as it has to be, then perhaps the default ought to be too.) I figured I'd let you guys look at these before running them by monster.” The email also states, “This is probably the easiest approach. If we want to go this way, and Monster is OK with it, then all we need to do is decide whether to replace the text links on the listing detail with graphics. I have a tool member services can use to activate/deactivate Monster products. Selling and billing still need to be worked out. We'll need Monster to give us a sep-

arate Schools Lite only account ... otherwise you can jump from Lite to the other channels ...” Ex. 36, at Homes 61-62

*8 - On Thursday, 4/4/02, the conference call to review “implementation of ListingsPlus and uploads of school data” was rescheduled by Parramore and Hubbard to Friday, 4/5/02 at 3:00 pm. Ex. 36, at Homes 67.

- After the scheduled conference call, on Friday, 4/5/02 at 3:58 pm, Hubbard sent Parramore and de Grove an email which provided Homes with a separate link to the Schools Lite channel. In the email, Hubbard stated, “Hey guys-here is the service package info for Schools Lite (I removed schools lite from the original service package).” Parramore responded, “Thanks, Hank [Hubbard].” Ex. 36, at Homes 74.

- On Monday, 4/8/02, Parramore sent Hubbard an email with the subject, “MonsterDaata presentation on the Homes.com portal.” In the email, Parramore stated, “We present school data in two areas of the portal: underneath a listing's detail and underneath the “Neighborhoods” area. Essentially, where we were displaying data in the page before, a pop-up window containing the MonsterDaata data will open, and some explanatory text will be displayed on the Homes.com listing page instead. I've provided a couple URLs for you to view what I've done ...” Hubbard responded, “Joel-looks good. Let me know if there's anything else you need from me ...” Ex. 35, at Homes 76.

- On May 1, 2002, Homes “went live” with its offering of MDI Channel products (Schools and Community) to its agent and broker customers. Also on May 1, 2002, Schools Lite became the “default” school information on the AA/BA Sites. SUF, ¶ 19.

- The 4/8/02 email correspondence is the last in the record that concerns schools data before the products “went live.”

- On 4/23/02, MDI's Director of Marketing Charles Ix wrote an email to Perkins with the subject "Implementation." The email stated, "John: I spoke with Hank [Hubbard] on our end and he has given your tech guys everything they have asked for. Do you have a feel for the time frame for implementation? Thanks." Ex. 45.

- On 6/6/02, Parramore sent an email to other Homes employees stating, "Talking with Hank [Hubbard] and Mark [Hensein] originally, they had agreed to provide us with a copy of their "Schools Lite" data (refreshed once or twice a year-what does the contract say on that?) for local use on our AA/BA and portal sites, if and when we wanted to control presentation of the data as we were doing with 2001Beyond/eSchoolProfile originally. So, we want a copy of that data as soon as we can get it." Ex. 37 at TAL 1079.

- On 6/7/02, Homes sent an email to Andrew Fishman, representing the Licensor, requesting the bulk data. Ex. 62 at Homes 132. On 6/25/02, a representative of the Licensor sent the file containing the school data in bulk to Parramore. Ex. 62 at Homes 161. After receiving the bulk data, Homes did not take any steps to format it into a usable form.

10. In addition to the evidence contained in the record of emails, the following relevant testimony was offered:

*9 - De Grove testified by deposition that the Schools Lite link that Hubbard sent was in response to his stated need to have a separate schools lite link in order to implement the Monster Demo that he had designed using the link. Ex. 78 at 83:17-84:3. DeGrove also says "I am sure that, at some point, I communicated to them that it was my intention to provide Homes (sic: Schools) Lite content without charge to our customers." Ex. 78 at 85:13-16.

- Hubbard testified by deposition that there was

no agreement between the parties that the direct link to Schools Lite would be used instead of bulk data. Ex. 28 at 77:8-78:2. He further states that "that is something we would not have agreed upon." *Id.*

- Hubbard testified that he agrees that the email with the separate link seems to have been sent after the conference call in which the issue of using the Schools Link was purportedly discussed. Ex. 28, 95:14-96:4. He testified that his reason for sending Homes the separate link was "there was some concern that Schools Lite would be accessed by someone that didn't have privilege to it. So, we wanted to remove it from their production service package and put it into its own individual service package so that [Homes] could continue to investigate." *Id.*

- Fishman, who was Vice President of Business Development at MDI when the Agreement was negotiated and who purchased the assets of MDI after MDI ceased operations does not recall any concerns with the fact that Homes was using a link to Schools Lite. Ex. 79 at 103:9-14. He testified that he was not concerned that too much information was being provided for free. *Id.* at 129:4-6.

11. The Court finds that the factual evidence supports an inference that the use of the Schools Lite link by Homes was discussed in the conference call that took place between representatives of Homes and MDI on April 5, 2002. The Court notes that the internal emails of Homes representatives do not demonstrate any intent to hide the fact that Homes was considering the option of using the Schools Lite link rather than the bulk data. The Court is particularly persuaded by the facts that de Grove stated in an email on the day before the April 5 conference call that he planned to "[run] it by monster" and that "if Monster is OK with it ... [w]e'll need Monster to give us a separate Schools Lite only account" and that on April 5, after the conference call, Hubbard sent Parramore and de Grove a separate Schools Lite

link. The Court's opinion that Hubbard agreed to the Homes representatives' plan to use the Schools Lite link is further buttressed by the fact that there were no more email discussions with respect to the free Schools data before the products went live on May 1, 2002.

12. The Court acknowledges that Hubbard's testimony is inconsistent with this Court's finding, but the Court believes that the contemporaneous emails and conduct at time of transaction are more credible evidence to discern the truth of what happened than the statements of the interested witnesses several years later in preparation for litigation.

*10 13. While plaintiff states that "Mr. Hubbard did not have the authority to agree to any modification of the Homes Agreement," the Court finds that Hubbard had apparent authority. "A principal drapes its agent with apparent authority by holding its agent out in such a way that causes a reasonable third party to believe that the agent is authorized to enter into the transaction in question." *EUA Cogenex Corp. v. North Rockland Cent. Sch. Dist.*, 124 F.Supp.2d 861, 869-870 (D.N.Y., 2000) (citing *Hallock v. State*, 64 N.Y.2d 224, 485 N.Y.S.2d 510, 513, 474 N.E.2d 1178 (1984)). Apparent authority depends upon outward appearances, and thus can exist even in the absence of actual authority. It requires the following two elements: (1) the principal must, by words or conduct, create an appearance of authority in the agent; and (2) the third party must reasonably rely on that appearance of authority. See *FDIC v. Providence College*, 115 F.3d 136, 140 (2d Cir.1997).

14. The evidence supports a finding that MDI created the appearance of authority in Hubbard. In an email dated 3/18/02, Homes Chief Operating Officer Perkins sent an email to MDI Vice President of Business Development Fishman to put his technical team in contact with MDI's technical team. The email stated, "Andrew [Fishman], I didn't have your tech team emails so

please forward this to them so that they can get with our tech team." Perkins copied his team members' emails on the email (Parramore, Larry Reinhard, and de Grove) and attached a copy of the Agreement. In an email dated 3/19/02, Hubbard wrote an email in response stating to all recipients, "Hey guys-I'm the CTO here at MonsterDaata. Let me know when you are ready to start discussing this implementation." Another MDI employee, Mark Hensein, was also copied on the email.

15. The evidence also supports a finding that Homes's representatives reasonably relied on the appearance of Hubbard's authority.

Equitable Estoppel

16. Homes raises equitable estoppel as an affirmative defense. The Court finds that Homes has carried its burden of showing that Monster Content is equitably estopped from asserting its claim.

17. The doctrine of equitable estoppel precludes a party at law and in equity from denying or asserting the contrary of any material fact which he has induced another to believe and to act on in a particular manner. *Holm v. C.M.P. Sheet Metal, Inc.*, 89 A.D.2d 229, 234-235, 455 N.Y.S.2d 429 (N.Y.App.Div., 1982) It "rests upon the word or deed of one party upon which another rightfully relies and so relying changes his position to his injury" ' *Id.*, citing *Triple Cities Constr. Co. v. Maryland Cas. Co.*, 4 N.Y.2d 443, 448, 176 N.Y.S.2d 292, 151 N.E.2d 856; *Metropolitan Life Ins. Co. v. Childs Co.*, 230 N.Y. 285, 292, 130 N.E. 295. Parties are estopped to deny the reality of the state of things which they have made to appear to exist and upon which others have been made to rely. *Holm*, 89 A.D.2d at 234, 455 N.Y.S.2d 429. It does not operate to create rights otherwise nonexistent; it operates merely to preclude the denial of a right claimed otherwise to have arisen. *Id.*, citing 21 N.Y. Jur, *Estoppel, Ratification, and Waiver*, §§ 17-18.

*11 18. Estoppel requires three elements on the part of the party estopped: (1) conduct which is calculated to convey the impression that the facts are otherwise than, and inconsistent with, those which the party subsequently attempts to assert; (2) intent that such conduct (representation) will be acted upon; and (3) knowledge, actual or constructive, of the true facts. *Id.*, citing 21 N.Y. Jur, Estoppel, Ratification, and Waiver, § 21. The party asserting estoppel must demonstrate detrimental reliance by showing (1) lack of knowledge of the true facts; (2) good faith reliance; and (3) a change of position. *Id.*, citing 21 N.Y. Jur, Estoppel, Ratification, and Waiver, § 60.

19. For the reasons stated in support of the Court's finding of acquiescence above, the Court finds that the Licensor induced Homes by word and deed to believe that Homes could substitute the Schools Lite link for the bulk data delivery under the Agreement. The Court finds that the conduct of the Licensor was calculated to convey that Homes could use the Schools Lite link in the way that it did; that the Licensor intended that Homes act upon its conduct acquiescing to Homes's use of the link; and that the Licensor had constructive or actual knowledge that Homes was using the link.

20. The Court also finds that Homes detrimentally relied on the words and conduct of the Licensor. The Court finds that Homes would have immediately defaulted to its alternative provider of school information, eSchool, had it been informed by Monster Content or F & D and MDI as Monster Content's predecessors-in-interest that Homes would be subject to the alleged fees claimed in this action as a result of the Schools Lite Link.

Section 15-301 of the N.Y. General Obligations Law

21. Plaintiffs contend that oral modification of the Agreement is not allowed under Section 15-301 of the N.Y. General Obligations Law. This section provides: "A written agreement or

other written instrument which contains a provision to the effect that it cannot be changed orally, cannot be changed by an executory agreement unless such executory agreement is in writing and signed by the party against whom enforcement of the change is sought or by his agent."

22. The Court finds that the Agreement is not subject to Section 15-301 of the N.Y. General Obligations Law because the Agreement does not strictly proscribe oral modifications. Provision 10.1 of the Agreement states "The parties hereto *may*, by written agreement signed by the parties, modify any of the covenants or agreements or extend the time for the performance of any of the obligations contained in this Agreement or in any document delivered pursuant to this Agreement" (*italics added*). It does not unambiguously preclude oral modifications.

23. Even if Section 15-301 of the N.Y. General Obligations Law did apply, the facts in the case would justify an exception under New York law. A court may consider oral modifications to such a contract if there has been "partial performance of the oral modification sought to be enforced." *Rose v. Spa Realty Associates*, 42 N.Y.2d 338, 343, 366 N.E.2d 1279, 397 N.Y.S.2d 922, 926 (1977). Likewise, a party may be equitably estopped from invoking a clause forbidding oral modifications where that party "has induced another's significant and substantial reliance upon an oral modification." *Id.* at 344, 397 N.Y.S.2d at 927, 366 N.E.2d 1279. "For either exception to apply, the conduct claimed to have resulted from the oral modification must be conduct that is inconsistent with the [written] agreement." *Towers Charter & Marine Corp. v. Cadillac Ins. Co.*, 894 F.2d 516, 522 (2d Cir.1990). Moreover, such conduct must be "unequivocally referable" to the oral modification. *Rose*, 42 N.Y.2d 343, 344, 397 N.Y.S.2d at 926, 927. A showing by the plaintiff that the oral agreement gives significance to the conduct at issue will not suffice. *Anostario v. Vicinanza*, 59 N.Y.2d 662, 664, 450 N.E.2d 215,

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216, 463 N.Y.S.2d 409, 410 (1983). Plaintiff must demonstrate actions that are “unintelligible or at least extraordinary, explainable only with reference to the oral agreement.” *Id.* (internal citations and quotations omitted).

*12 24. For the reasons discussed above, the Court finds that Monster Content induced significant and substantial reliance on the oral modification consisting of the substitution of the Schools Lite link for the bulk delivery of Schools Lite data. The court also finds that Hubbard's conduct of sending the separate Schools Lite link on April 5, 2002 is inconsistent with the Agreement and “unequivocally referable” to the oral agreement. The Court finds that if there had not been an agreement by the Licensor that Homes could use the Schools Lite link in the way that it did, then Hubbard would not have separated out the link and sent it to Homes after the conference call.

Damages

25. Plaintiff claims damages of over \$1.3 million dollars for the alleged breach of the Agreement. For the reasons stated herein, even if the Court had found a breach of the Agreement, the Court would have found damages in the amount of approximately \$5,000.

26. Monster Content claims that damages should be based on multiplying the number of Homes clients that had access to Schools Lite by a monthly subscription fee for the period between May 2002 and April 2003. As of May 1, 2002, Homes had 12,014 active agent websites and 506 active broker websites. Homes customer accounts steadily declined by approximately 13% between May 2002 and April 2003.

27. The object of the law in affording damages in a breach of contract action is to compensate or indemnify the injured party so as to put it in as good a position as it would have been had the defendant abided by the agreement. *Western Geophysical Co. of Am. v. Bolt Assocs., Inc.*, 584

F.2d 1164, 1172 (2d Cir.1978); *see also Menzel v. List*, 24 N.Y.2d 91, 246, 298 N.Y.S.2d 979, 246 N.E.2d 742 (1969) (New York follows “expectation” theory of recovery in breach of contract action).

28. The Agreement does not provide any specific pricing, or for payment of any kind by Homes for the Schools Lite link.

29. Monster Content did not present any evidence that it lost any reasonably ascertainable customers through Homes's use of the Schools Lite link.

30. Monster Content did not present to the Court any evidence of costs that were actually incurred by Monster Content in providing the Schools Lite link to Homes's customers.

31. Monster Content did not present any evidence to the Court that Homes's provision of Schools Lite link to its clients enabled Homes to derive any additional revenue than it would have derived without the Schools Lite link. Indeed, the evidence shows that the number of Homes clients declined over the period that Homes provided the link to its customers.

32. The general rule that in an action to recover damages for breach of contract the injured party is entitled to recover all of its damages is subject to three limiting conditions: (1) that the injured party cannot recover damages for a loss that could have reasonably been avoided if that party had taken appropriate steps to do so; (2) that the damages must be reasonably within the contemplation of the parties at the time the contract was made; and (3) the damages must be reasonably definite and certain. 3 Farnsworth on Contracts § 12.8, at 188-89 (1990).

*13 33. The three limiting conditions are all applicable in this case. With respect to the first, the Court finds that the Licensor could have reasonably avoided any claimed damages incurred by Homes's use of the Schools Lite link if it had

taken appropriate steps, including not engaging in a course of conduct that amounted to acquiescence to the substitution of the link for the bulk data delivery. At the very least, the Court would find that Monster Content could have avoided its alleged damages incurred after the fall of 2002 when Monster Content admits that it realized that Homes customers were accessing Schools Lite and when Monster Content restored the access of Homes customers to Schools Lite after Homes notified Monster Content that its customers were receiving an error message.

34. With respect to the second limiting condition, the Court finds that Monster Content's proposed damages were not within the reasonable contemplation of the parties at the time the contract was made. The Court finds that the amount of damages that Homes could have reasonably contemplated would be the fair market value of the Schools Lite link, best calculated based on the value of similar products in the marketplace.

35. With respect to the third limiting condition, the Court finds that the damages proposed by Monster Content are not reasonably definite and certain. Monster Content did not present evidence that any, let alone all, Homes customers would have paid an additional fee for the data contained in the Schools Lite link. Monster Content cites authority that applies in situations where the existence of damage is certain. See Plaintiff's Post-Trial Brief at 19 (*citing InduCraft Inc. v. Bank of Baroda*, 47 F.3d 490, 496 (2d Cir.1995) (“when it is certain that damages have been caused by a breach of contract ...”) and *Contemporary Mission, Inc. v. Famous Music Corp.*, 557 F.2d 918, 926 (2d Cir.1997) (“under the long-standing New York rule, when the existence of damage is certain, and the only uncertainty is as to its amount ...”) Because damages are not certain in this case, these cases are inapposite.

36. The evidence showed that MDI's liabilities exceeded its assets when it ceased operations on April 26, 2002, with only eleven customers for

all of its “Channel Reports” products. These customers represented billings of \$15,000 a month and the company had a liquidation value of \$200,000. The evidence also showed that during the period of time the Schools Lite link was provided to Homes's customers, Monster Content's average monthly cash-based sales totaled only \$3,500 for all seven of its “Channel Reports,” of which Schools Lite was only one. Plaintiff was unable to attribute any specific amount to Schools Lite separately.

37. In light of the Licensor's average cash-based sales of approximately \$35,000 for all of its Channel Reports from all of its customers over the relevant 10-month period, Monster Content's suggestion that it incurred damages over \$1.3 million from only one of its customers (Homes) for only one of its Channel products (Schools Lite) is not only speculative, but borders on frivolous.

*14 38. The evidence shows that Homes contracted with another provider to receive similar school-related data in the form of a link for \$5,000 per year. The Court finds this to represent the fair market value of the Schools Lite link at the time that the Agreement was signed. If the Court were to find that Monster Content incurred damages, they would be in the amount of approximately \$5,000.

CONCLUSION

For the reasons stated above, the Court finds that plaintiff Monster Content shall take nothing, that the complaint is dismissed, and that judgment shall be entered in favor of the defendant, Homes.

IT IS SO ORDERED.

N.D.Cal.,2005.
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 (N.D.Cal.)

END OF DOCUMENT

TAB 8



Cited

As of: Apr 27, 2011

**GARY L. SMITH, Plaintiff, V. ALEC RUSH, BADFISH PRODUCTIONS, LLC.,
Defendants.**

No. C04-2280Z

**UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF
WASHINGTON**

2006 U.S. Dist. LEXIS 27412

April 7, 2006, Decided

April 7, 2006, Filed

CORE TERMS: actual damages, speculation, license fee, market value, reconsideration, hypothetical, determinative, infringement, self-serving, copyrighted, photograph

COUNSEL: [*1] Gary L Smith, Plaintiff, Pro se, INEZ, KY.

JUDGES: Thomas S. Zilly, United States District Judge.

OPINION BY: Thomas S. Zilly

OPINION

MINUTE ORDER

The following Minute Order is made by direction of the Court, the Honorable Thomas S. Zilly, United States District Judge:

(1) The Court DENIES Plaintiff's Motion for Reconsideration, docket no. 35. "Motions for reconsideration are disfavored." Local Rule CR 7(h). Plaintiff has failed to show "manifest error in the prior ruling" or "new facts or legal authority which could not have been brought to its attention earlier with reasonable diligence." *See id.*

In his motion for reconsideration, Mr. Smith argues that "what a photographer would have charged to license copyrighted photographs" is admissible evidence in a suit for infringement, relying upon [Fournier v. Erickson, 242 F.Supp.2d 318, 336-37 \(S.D.N.Y. 2003\)](#). *Fournier* admitted this type of evidence despite defendants' objection that it was "too unreliably self-serving and speculative to be material to the question of actual damages." *Id. at 336*. *Fournier* noted that "the amount of damages may not be based on undue speculation," but went on to state that [*2] "speculation can be minimized by evidence of sales figures for [the copyright owner's] past work" and "evidence from the negotiations indicating what the parties considered a reasonable charge." *Id. at 337*. *Fournier* noted that the jury would be instructed that the copyright owner's "assertions about what he would have charged are not determinative of actual damages but, rather, one of various pieces of evidence informing that determination." *Id.*

In the present case, the only evidence in support of Mr. Smith's "actual damages" is his declaration statement that he would charge \$ 100 per month per photograph as a license fee. Thus, Mr. Smith is asking the Court to consider this self-serving evidence as determinative of his actual damages. *Fournier* would not have allowed such evidence to be admitted in the absence of other evidence

of actual damages. Furthermore, the Ninth Circuit has defined "actual damages" as "the extent to which the market value of a copyrighted work has been injured or destroyed by an infringement." [Mackie v. Rieser, 296 F.3d 909, 917 \(9th Cir. 2002\)](#). This "market value" test is "an objective, not a subjective, analysis" [*3] of damages. *Id.* "A hypothetical lost license fee" may be awarded, "provided the amount is not based on undue speculation." [Polar Bear Prods., Inc. v. Timex Corp., 384 F.3d 700, 709 \(9th Cir. 2004\)](#) (en banc) (hypothetical fee

supported by expert witness testimony from a certified public accountant as to fair market value). The Court concludes that Mr. Smith's suggested hypothetical lost license fee is based on undue speculation.

(2) The Clerk is directed to send a copy of this Minute Order and of the docket sheet in this case to Plaintiff.

Filed and entered this 7th day of April, 2006.