

APPENDIX UNPUBLISHED CASES

Not Reported in Cal.Rptr.3d, 2007 WL 1806860 (Cal.App. 2 Dist.)
Nonpublished/Noncitable (Cal. Rules of Court, Rules 8.1105 and 8.1110, 8.1115)
(Cite as: 2007 WL 1806860 (Cal.App. 2 Dist.))

Only the Westlaw citation is currently available.

California Rules of Court, rule 8.1115, restricts citation of unpublished opinions in California courts.

Court of Appeal, Second District, Division 5, California.

Ramon AGUILAR, Plaintiff, Cross-defendant and Respondent,
 v.

Gilberto MILLOT, Defendant, Cross-complainant and Appellant.

No. B190026.

(Los Angeles County Super. Ct. No. BC322759).

June 25, 2007.

APPEAL from a judgment of the Superior Court of Los Angeles County. Tricia Bigelow, Judge. Affirmed.

Gilberto Millot, in pro. per., for Defendant, Cross-complainant and Appellant.

O'Rourke, Fong & Manoukian, [Roderick D. Fong](#) and [Marina Manoukian](#) for Plaintiff, Cross-defendant and Respondent.

[KRIEGLER, J.](#)

*1 Plaintiff and respondent Ramon Aguilar was awarded damages of \$209,179 following a court trial on his complaint alleging breach of contract and common counts against defendant and appellant Gilberto Millot. Judgment was also entered in favor of Aguilar on Millot's cross-complaint ^{FN1} against Aguilar, Alvaro L. Banegas, and Bancomer Construction and Development, ^{FN2} alleging foreclosure of a mechanic's lien, breach of contract, common counts, and declaratory relief.

^{FN1}. Additional cross-complainants were M.I. LLOT GROUP, M.I. LLOT, and M.I. LLOT GROUP, a business entity form unknown. We refer to these entities and appellant collectively as Millot.

^{FN2}. Banegas and Bancomer are not parties

to this appeal.

In this timely appeal from the judgment, Millot raises the following issues: (1) the oral contract was entered into between Millot and Banegas, and because Aguilar was not a party to the oral contract, he could not bring this action; (2) if Aguilar was a party to the oral contract, he was in breach due to his failure to pay the amount due, which excused Millot's performance; (3) the statute of limitations on the oral contract expired in March 2004, but Aguilar did not file the instant action until October 2004; (4) the trial court erred in awarding damages in excess of those set forth in the written contract at \$100 per day for late performance; (5) Aguilar did not prove that Millot materially breached the contract; (6) Aguilar's payment of \$3,700 after the alleged breach constituted a waiver of the breach; (7) the trial court awarded damages based upon loan costs not incurred in Aguilar's name; and (8) the trial court abused its discretion by not allowing oral argument before filing its tentative and final statements of decision.

We find no reversible error and affirm the judgment in its entirety. ^{FN3}

^{FN3}. Millot's motion to augment the record with documents not presented at trial is denied.

PROCEDURAL HISTORY

Aguilar's October 8, 2004 Complaint

In his breach of contract cause of action, Aguilar alleged that on or about March 5, 2002, he entered into a written contract with Millot, who is a civil engineer. Under the contract, Millot was to draft and design the architectural plans for construction of four single family residences on Thomas Street in Los Angeles. Between January 2003 and September 2004, Millot breached the contract by failing to deliver the designs and drawings in a timely fashion. Millot's untimely delivery of plans and drawings, and the failure to deliver drawings, caused construction to be delayed. Aguilar performed all of his obligations under the contract, except for those Millot prevented or which

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were excused by Millot's nonperformance. Under the terms of the contract, Millot agreed to pay liquidated damages of \$100 for each day of delay. Aguilar suffered damages as a result of Millot's breach of contract.

The common count cause of action alleged Millot was indebted to Aguilar for the sum of \$21,032.84 within the past two years. Aguilar demanded payment by his complaint, but no payment was received from Millot.

Millot's Cross-complaint

Millot alleged he entered into a contract to perform work in connection with the development of the Thomas Street properties by Aguilar, Banegas, and Bancomer. He also alleged Aguilar, Banegas, and Bancomer were each "a partner, agent, joint venturer, employee or otherwise connected with each of the other [cross]-[d]efendants." Millot performed all acts required except for those excused by breach by the developers. The developers failed to pay Millot under the contract and have demanded that he perform work for which they do not wish to pay. They have demanded that Millot perform additional work at no cost. Millot alleged he had filed a proper mechanic's lien and was entitled to foreclose on the lien. The developers breached their contract with Millot, entitling him to damages. As to the common count cause of action, Millot provided valuable services to the developers who have failed to pay a reasonable value for his services. Declaratory relief was requested to resolve the dispute between the parties.

STATEMENT OF FACTS^{FN4}

^{FN4}. "[I]n summarizing the facts on appeal we 'must consider the evidence in the light most favorable to the prevailing party, giving him the benefit of *every reasonable inference*, and *resolving conflicts* in support of the judgment.' [Citation.]" ([Whiteley v. Philip Morris, Inc.](#) (2004) 117 Cal.App.4th 635, 642, fn. 3.)

*2 Banegas and Aguilar purchased four lots on Thomas Street in February 2000, intending to develop four single family residences. Banegas and Aguilar entered into an oral agreement with Millot, calling for Millot to prepare a grading plan, street plan, and design for the Thomas Street homes for \$11,600. Payments to-

taling \$6,000 were made on the oral contract by Aguilar and Banegas. ^{FN5} A change in the lot lines to make all four lots buildable was approved on May 22, 2001. Because of Millot's delays in performing under the oral agreement, Aguilar and Banegas decided to reduce the agreement with Millot to writing, which was done on March 5, 2002.

^{FN5}. Millot testified he was owed an additional \$5,000 on the oral contract.

The written contract set forth the parties' obligations, including payment of an additional \$12,596 by Aguilar and Banegas. Aguilar negotiated the contract with Millot, because Banegas was frustrated with Millot's delays. Millot agreed to complete the grading plan and provide a copy of it to the structural engineer within seven days after signing the contract.

The contract contemplated that Millot would complete the job in a reasonable amount of time. The contract provided for damages of \$100 per day if Millot's work was not performed in a timely fashion; if Aguilar failed to pay in a timely fashion, he would also be penalized \$100 per day. Banegas explained the \$100 per day penalty was required because Millot had a habit of not performing while claiming that payments were late. The purpose of the \$100 per day penalty, according to Banegas, was to secure "performance."

Aguilar testified that the \$100 per day penalty was reciprocal, and the result of contract negotiation with Millot. Millot testified he insisted that each side be subject to the \$100 per day penalty because he was not being paid. Millot wanted to put pressure on Aguilar to pay on time by means of the penalty. Millot did not consider the \$100 per day penalty for late payment as covering his out of pocket loss, because to complete this project he had to "pay my people to work on these plans" and had "to put jobs aside, bring other people, stay late, making sure that I complied with the contract."

Aguilar and Banegas paid Millot on time, although they were never given invoices as work was completed. A total of \$9,000 was paid to Millot on the written contract. An additional \$1,810 was paid to Millot for work not included in the written contract.

Grading plans were submitted to the City of Los Angeles more than seven days after the contract was

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signed. Millot was to resubmit the grading plans after corrections, but he failed to do so. The street plans were submitted on January 15, 2003, but never completed or approved. The city wanted a plan for Thomas Street as well as Ashland Street, which abutted the property by approximately 50 feet. A plan for Ashland Street was not extra work because Millot knew the property bordered on Ashland Street, and he had been hired to prepare the street plan.

The building plans were to be completed and ready for submittal 17 working days after structural calculations were received from the structural engineer. Mynor Zelada was the structural engineer doing the calculations for the homes to be built on Thomas Street. Millot was to prepare designs or architectural drawings, send them to Zelada, who would do the structural calculations. The plans were not completed within the 17-day deadline. After Zelada received the drawings for two of the houses, he completed the structural calculations on April 15, 2002, and May 30, 2002. He completed the structural calculations on the other two houses on November 11, 2002, and June 11, 2003. Normally, it should not take more than 30 days after corrections to plans to obtain approval from the city. No one complained that Zelada took too long. He never received a request for corrections.

***3** The plans for 2810 Thomas Street were submitted to the city on May 16, 2002. Corrections were issued on May 28, 2002, but approval was not obtained until April 29, 2003, due to Millot's tardy nonperformance.

The building plans for 2816 Thomas Street were submitted to the city on January 7, 2003, and corrections issued January 14, 2003. The plans were not approved until August 18, 2003. Again, the delay was due to Millot's nonperformance.

The plans for 2822 Thomas Street were submitted to the city on January 7, 2003, although structural calculations had been completed on May 30, 2002. Corrections were issued January 13, 2003, but approval was not obtained until August 18, 2003, with the delay occasioned by Millot's untimely performance.

As to 2828 Thomas Street, plans were submitted to the city on January 7, 2003, and corrections issued January 21, 2003. Approval was given on September 5, 2003. The delay was attributable to Millot.

As the delays grew, Aguilar complained to Millot that his work was so late he had accumulated \$16,000 in penalties. Millot apologized, said he was very busy, and promised to get the work done as quickly as possible.

The property was purchased for \$100,000, with a \$50,000 down payment, and the owners carrying the balance for one year. Aguilar and Banegas obtained a bridge loan on June 16, 2001, to pay off the \$50,000 debt to the owners, while carrying it over for one year at a monthly payment of \$625. In June 2002, they did not have blueprints so the bridge loan was extended, resulting in loan fees in the amount of \$1,887. Construction loans between \$185,000 and \$190,000 were obtained on each of the four lots in January 2003, resulting in monthly payments of between \$2,004 and \$2,058. Because Aguilar and Banegas did not receive their permits due to Millot's delays, they paid on these loans before construction. The delays resulted in an increase of \$155,000 in construction costs. The increased costs were approved by the company monitoring disbursement of the construction funds.

George Lightner testified as an expert witness on behalf of Aguilar. He expressed the opinion that Millot should have had a set of plans completed within six months of the oral contract. However, the first grading plans were not submitted until 12 months later, which was an unreasonable amount of time. Lightner's calculation of the cost of the delays, due to Millot, were based upon the increased costs after the initial six-month period. These costs included money spent on the bridge loans. Lightner found fault in Millot's lack of a timely response to the city's March 2002 suggested corrections to the grading plan. In Lightner's experience, it should have taken no more than 30 days to make the corrections.

Lightner also believed that Millot was responsible for unreasonable delays because some plans were submitted May 16, 2002, and within 12 days, corrections were suggested. The permit was not issued for grading until April 2003. Structural calculations were given to Millot on May 30, 2002, but building plans were not submitted until January 7, 2003.

***4** Lightner opined that Millot had an obligation to perform in a timely fashion. Millot had an obligation under the contract to determine what street design was required. Millot's first failure was the delay of seven or

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eight months in producing and submitting grading plans and structural plans, while costs on the bridge loan were accruing at the rate of \$625 per month. Plans were submitted on three lots in January 2003. Lightner concluded that delay damages amounted to \$54,000.

Lightner also calculated that there were additional damages of \$155,000 resulting from increased construction costs. Industry costs increased 30 to 40 percent during the period of delay; Lightner used only a 15 percent increase in calculating damages. Lightner's figures were corroborated by the amount of additional money borrowed to finish the job. He did not use the \$100 per day contract penalty in calculating damages.

DISCUSSION

I

AGUILAR WAS A PARTY TO THE ORAL CONTRACT

Millot's first argument is that Aguilar had no standing to file an action for breach of the oral contract because Aguilar was not a party to the contract. The record does not support Millot's position.

“When considering a claim of insufficient evidence on appeal, we do not reweigh the evidence, but rather determine whether, after resolving all conflicts favorably to the prevailing party, and according the prevailing party the benefit of all reasonable inferences, there is substantial evidence to support the judgment.” (*Scott v. Pacific Gas & Electric Co.* (1995) 11 Cal.4th 454, 465, disapproved on other grounds in *Guz v. Bechtel National, Inc.* (2000) 24 Cal.4th 317, 352, fn. 17.) In reviewing the evidence on appeal, all conflicts must be resolved in favor of the judgment, and all legitimate and reasonable inferences indulged in to uphold the judgment if possible. When a judgment is attacked as being unsupported, the power of the appellate court begins and ends with a determination as to whether there is any substantial evidence, contradicted or uncontradicted, which will support the judgment. When two or more inferences can be reasonably deduced from the facts, the reviewing court is without power to substitute its deductions for those of the trial court. (*Western States Petroleum Assn. v. Superior Court* (1995) 9 Cal.4th 559, 571; *Crawford v. Southern Pacific Co.* (1935) 3

[Cal.2d 427, 429.](#))

Banegas testified that he and Aguilar were parties to the oral contract with Millot. In addition, Banegas and Aguilar were co-owners of the property and parties to the subsequent written contract. Aguilar testified he made payments on the oral contract. This testimony constitutes substantial evidence that Aguilar was a party to the oral contract. Moreover, the trial court found that any oral contract was incorporated in and superseded by the written contract, and Aguilar was the party to that contract.

Moreover, Millot alleged in his cross-complaint that Aguilar, Banegas, and Balcomer were partners, agents, joint venturers, and employees of each other. Given the testimony at trial, as well as the language of Millot's own pleading, his claim that Aguilar lacked standing is without merit.

II

AGUILAR'S FAILURE TO PERFORM BY PAYMENT IN FULL ON THE ORAL CONTRACT DID NOT CONSTITUTE A BREACH

*5 Millot argues that if Aguilar was a party to the oral contract, Aguilar's failure to pay the full amount on the oral contract bars relief. We disagree.

Aguilar and Banegas testified Millot did not fully perform on the oral contract, and as a result, they paid only \$6,000 of the \$8,700 due. The trial court expressly found that Millot did not fully perform under the oral contract. Where there is a conflict in the evidence as to which party to a contract is in breach, and the trial court's finding of breach by one of the parties is supported by substantial evidence, the appellate court will not reweigh the evidence and is bound by the trial court's findings. (*Crag Lumber Co. v. Crofoot* (1956) 144 Cal.App.2d 755, 774.)

Aguilar, Banegas, and Lightner each testified to Millot's failure to complete the grading and design plans within a reasonable period of time under the oral contract. It was Millot's delays that caused Banegas and Aguilar to obtain a written contract setting forth Millot's obligations. The testimony of these three witnesses constitutes substantial evidence to support the judgment of the trial court that Millot was in

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breach of the oral contract.

III

THE STATUTE OF LIMITATIONS ON THE ORAL CONTRACT

Millot next argues the two-year statute of limitations on the oral contract under [Code of Civil Procedure section 339](#) expired as of March 2004, but the instant action was not filed until October 2004. As a consequence, Millot contends no damages could be awarded for breach of the oral agreement. We disagree.

The trial court found that the written contract was intended to incorporate and supersede the oral contract, and Millot does not challenge this aspect of the trial court's finding on appeal. Aguilar did not file this action on the oral contract; instead, the complaint was based on the written contract. Because the written contract incorporated the oral contract, and because this action was based solely on the written agreement, the applicable statute of limitations is the four-year statute of limitations found in [Code of Civil Procedure section 337](#). The two-year statute of limitations on an oral contract does not apply in this action.

IV

THE AWARD OF DAMAGES IN EXCESS OF \$100 PER DAY

Millot argues the written contract contained a liquidated damages clause fixing damages at \$100 per day in the event of a failure of either party to perform in a timely fashion. Millot contends the amount of damages awarded to Aguilar must be reversed because the damages exceeded the liquidated damages provision. We hold the trial court correctly found that the penalty provision was not intended to be a liquidated damages clause.

The written contract included a provision described as "penalties." The contract provided that if Millot did not perform his obligations in the time specified in the contract, his compensation would be reduced by \$100 per day. Similarly, if Aguilar did not pay his obligations under the contract in a timely fashion, he would pay the sum of \$100 per day. The trial court ruled, based upon the trial testimony, that the parties did not

intend the penalty provision to be a liquidated damages clause. In light of the trial testimony, the trial court's finding was correct. (*Wright v. Rodgers (1926)* 198 Cal. 137, 140-141 [the court should first interpret a contract to determine "whether it was the intention of the parties to the agreement that the sum fixed upon as damages for the breach thereof by either should be a penalty," and if so, the provision is void].)

*6 The testimony at trial evidences a clear intent to create a penalty and no intent to create a liquidated damages clause. The parties were angry about what both sides viewed as untimely performance under the oral contract, and it was out of this anger that the penalty provision arose. Aguilar and Banegas wanted the \$100 per day penalty to motivate Millot to perform his engineering duties in a timely fashion. The amount of the penalty was not related to potential damages if construction of the four residences did not take place. On the other hand, Millot was concerned about late payment by Aguilar, and in order to compel performance by Aguilar, Millot insisted on a reciprocal penalty. Millot's own testimony establishes that he did not consider the penalty to be an approximation of damages, because it did not take into account extra pay for his employees and other work that he put aside.

Having concluded, as a matter of contract interpretation, that the penalty provision was never intended to be a liquidated damages clause, it follows that it was an unenforceable penalty provision. As our Supreme Court explains, "A liquidated damages clause will generally be considered unreasonable, and hence unenforceable under [\[Code of Civil Procedure\] section 1671](#) [subdivision] (b), if it bears no reasonable relationship to the range of actual damages that the parties could have anticipated would flow from a breach. The amount set as liquidated damages 'must represent the result of a reasonable endeavor by the parties to estimate a fair average compensation for any loss that may be sustained.' [Citation.] In the absence of such relationship, a contractual clause purporting to predetermine damages 'must be construed as a penalty.' [Citation.] 'A penalty provision operates to compel performance of an act [citation] and usually becomes effective only in the event of default [citation] upon which a forfeiture is compelled without regard to the damages sustained by the party aggrieved by the breach [citation]. The characteristic feature of a penalty is its lack of proportional relation to the damages

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which may actually flow from failure to perform under a contract. [Citations.] [Citation.] [¶] In short, “[a]n amount disproportionate to the anticipated damages is termed a “penalty.” A contractual provision imposing a “penalty” is ineffective, and the wronged party can collect only the actual damages sustained.’ (*Perdue v. Crocker National Bank* (1985) 38 Cal.3d 913, 931; see also *Ebbert v. Mercantile Trust Co.* (1931) 213 Cal. 496, 499[“[A]ny provision by which money or property would be forfeited without regard to the actual damage suffered would be an unenforceable penalty.”]’.)” (*Ridgley v. Topa Thrift & Loan Assn.* (1998) 17 Cal.4th 970, 977-978.)

The \$100 penalty in this case “bears no reasonable relationship to the range of actual damages that the parties could have anticipated would flow from a breach.” (*Ridgley v. Topa Thrift & Loan Assn., supra*, 17 Cal.4th at p. 977.) There was no “ ‘reasonable endeavor by the parties to estimate a fair average compensation for any loss’ “ that could be anticipated by late performance of either party to the contract. (*Ibid.*) As a result, the provision was an unenforceable penalty, which the trial court correctly did not enforce.

*7 Our Supreme Court long ago recognized that costs are easily ascertained in advance by “practical engineers or contractors engaged in establishing and doing such work.” (*Leslie v. Brown Brothers Incorporation* (1929) 208 Cal. 606, 616.) The \$100 penalty in this case did not represent an effort at approximating actual costs or damages—as noted above, the figure merely arose from the emotional frustration of the contracting parties. The trial court’s conclusion that the contracting parties did not intend to create a liquidated damages clause is amply supported by the record.

“The legal measure of damages for breach of contract is defined in Civil Code section 3300: ‘For the breach of an obligation arising from contract, the measure of damages ... is the amount which will compensate the party aggrieved for all the detriment proximately caused thereby, or which, in the ordinary course of things, would be likely to result therefrom.’ “ (*Fisher v. Hampton* (1975) 44 Cal.App.3d 741, 747.) The damages were properly calculated by the trial court.

V

MILLOT'S BREACH OF THE CONTRACT

Millot argues he did not breach the written contract. Our review of the record demonstrates substantial evidence of a material breach by Millot, and the trial court's findings that Millot did not perform within a reasonable period of time within the meaning of Civil Code section 1657^{FN6} are supported by substantial evidence.

FN6. Under Civil Code section 1657, performance of a contract within a reasonable period of time is an implied term of the agreement. (*Henry v. Sharma* (1984) 154 Cal.App.3d 665, 669.)

The trial court's detailed statement of decision identified material contract breaches by Millot. As to the oral contract, Lightner testified Millot should have completed a full set of design plans within six months, which was not accomplished. The trial court, as it was free to do, gave great weight to Lightner's testimony. Among the material breaches of the written contract found by the trial court were the following: failure to complete the grading plans within a reasonable time—one set being approved in March 2003 and the other three in August 2003; complete failure to obtain approval for the street improvement plans; and failure to promptly deliver design plans to Zelada for structural calculations. The trial court also credited testimony that Millot admitted being late in his work.

This summary of evidence easily satisfies the requirement of substantial evidence of a material breach of contract by Millot.

VI

WAIVER OF THE BREACH BY AGUILAR'S PAYMENT OF \$3,700

Millot contends any breach by Millot was waived when Aguilar paid \$3,700 on the contract in April 2003. We conclude there was no waiver.

A right of action for breach of contract is not necessarily waived by payment on the contract with knowledge of the other party's breach. (*Leonard v. Home Builders* (1916) 174 Cal. 65, 68.) “In order to recover for breach of contract, the nonbreaching party must prove that it has substantially performed the

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conditions of the breaching party's performance (or that performance was excused). If it fails to do so, it obtains no recovery. If it does establish this predicate, it is entitled to recover all damages foreseeably caused by the other party's breach. [Citations.]” ([Stop Loss Ins. Brokers, Inc. v. Brown & Toland Medical Group \(2006\) 143 Cal.App.4th 1036, 1051.](#)) A breach by one party to a contract does not absolve another party to the contract of the duty of good faith and fair dealing. ([Gruenberg v. Aetna Ins. Co. \(1973\) 9 Cal.3d 566, 578.](#)) Whether a party has waived a breach by performance “depends upon the factual showing, and there is no proof as a matter of law of any express or implied waiver, which would warrant setting aside the contrary finding of the trial court.” ([California Milling Corp. v. White \(1964\) 229 Cal.App.2d 469, 479.](#)) “It is elementary that when there are two parties to a contract and one of them does not do all that he is required to do under the agreement, the other party may nevertheless fully perform his part of the bargain and then hold the defaulting party liable for damages.” (*Ibid.*)

*8 The record supports the inference that Aguilar did not waive Millot's breach by making a contract payment. As noted above, Aguilar was required to perform his contractual obligations in order to be able to pursue a damage claim against Millot. Partial payment on the contract thus satisfied this requirement. In addition, there is substantial evidence Aguilar and Banegas did not intend to waive any breach by Millot by making a payment. They testified to their ongoing dissatisfaction with Millot's late performance, but still believed they were better off continuing with Millot rather than starting from scratch with a new engineer. This is not evidence of an intent to waive Millot's breach. Because we review the record for substantial evidence and view the evidence in the light most favorable to the judgment, we find no merit to Millot's waiver contention.

VII

LOAN COSTS NOT INCURRED IN AGUILAR'S NAME

Millot contends the trial court erred in awarding construction loan costs not incurred in Aguilar's name, but rather in the name of Bancomer. Because this issue was not presented in the trial court, we deem it forfeited.

“ [I]t is fundamental that a reviewing court will ordinarily not consider claims made for the first time on appeal which could have been but were not presented to the trial court.’ Thus, ‘we ignore arguments, authority, and facts not presented and litigated in the trial court. Generally, issues raised for the first time on appeal which were not litigated in the trial court are waived. [Citations.]’ “ ([Newton v. Clemons \(2003\) 110 Cal.App.4th 1, 11,](#) fns. omitted.) “Appellate courts are loath to reverse a judgment on grounds that the opposing party did not have an opportunity to argue and the trial court did not have an opportunity to consider. [Citation.] In our adversarial system, each party has the obligation to raise any issue or infirmity that might subject the ensuing judgment to attack. [Citation.] Bait and switch on appeal not only subjects the parties to avoidable expense, but also wreaks havoc on a judicial system too burdened to retry cases on theories that could have been raised earlier.” ([JRS Products, Inc. v. Matsushita Electric Corp. of America \(2004\) 115 Cal.App.4th 168, 178.](#))

Aguilar's relationship to Bancomer was not raised as an issue in the trial court by Millot. Millot's answer to Aguilar's complaint, his cross-complaint, and his written arguments to the court at the conclusion of trial did not suggest an argument that Aguilar could not recover because construction loans were in the name of Bancomer. Because both Aguilar and the trial court were denied the opportunity to address this issue at trial, we decline to hear it on appeal. The issue is forfeited.

VIII

THE LACK OF ORAL ARGUMENT

At the end of trial, the trial court and counsel agreed that arguments would be submitted in writing. The trial court said it would consider “any oral argument that [it] need[s] after” reading the written arguments. After submission of the written arguments, the trial court issued a tentative statement of decision. Millot filed a response to the tentative statement of decision, in which he objected to the outcome and to the fact the trial court did not consider further oral arguments after reading the written arguments. The trial court ruled that Millot did not make a timely request for further oral argument. Millot now argues the trial court's failure to allow oral argument requires reversal.

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*9 We again find that the issue was waived. The parties agreed that arguments would be made in writing. The trial court stated it would consider oral argument if it were needed. Millot did not ask the court for the opportunity to make an oral argument until after issuance of the tentative statement of decision. In the absence of a timely request for oral argument, the issue is waived.

In any event, Millot had no right to oral argument after a bench trial. “ ‘Oral argument in a civil proceeding tried before the court without a jury [] is a privilege, not a right, which is accorded to the parties by the court in its discretion.’ [Citations .]” ([Gillette v. Gillette \(1960\) 180 Cal.App.2d 777, 781-782.](#)) Here, the trial court allowed thorough written arguments. Millot fails to demonstrate the need for additional oral argument, or that there was a reasonable probability of a more favorable result had he been allowed to present oral argument. ([Cal. Const., art. VI, § 13.](#))

DISPOSITION

The judgment is affirmed. Aguilar is to recover his costs on appeal.

We concur: [TURNER](#), P.J., and [MOSK](#), J.
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Not Reported in F.Supp.2d, 2001 WL 180147 (S.D.N.Y.), 2001 Copr.L.Dec. P 28,235, 58 U.S.P.Q.2d 1134
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H

United States District Court, S.D. New York.
Michael GILLESPIE and Peter Chin, Plaintiffs,

v.

AST SPORTSWEAR, INC., Bennie Miles and Patrick
Ying, Defendants.

No. 97Civ.1911(PKL).

Feb. 22, 2001.

Gaynor & Bass, New York, New York, [Michael J. Gaynor](#), [Emily Maruja Bass](#), Schuerer & Hardy, P.C., [Terence C. Scheurer](#), New York, NY, for Plaintiffs, of counsel.

Gottlieb, Rackman & Reisman, P.C., New York, New York, [George Gottlieb](#), [Maria Savio](#), [Ronald A. Giller](#), [George C. Shih](#), New York, NY, for Defendants AST Sportswear, Inc. and Patrick Ying, of counsel.

MEMORANDUM ORDER

[LEISURE](#), J.

*1 Plaintiffs Michael Gillespie and Peter Chin bring this action against defendants AST Sportswear, Inc. (hereinafter "AST"), Aaron Benjamin Miles, and Patrick Ying, alleging, *inter alia*, that defendants infringed their copyrights in designer photographs and advertisement designs in violation of the Copyright Act of 1976, [17 U.S.C. § 101](#) *et seq.*, and state misappropriation law. After filing their Fourth Amended Complaint on March 14, 2000, plaintiffs moved for summary judgment on their federal claims against all defendants, whom plaintiffs seek to hold joint and severally liable.^{FN1} For the reasons stated below, plaintiffs' motion for summary judgment is denied.

^{FN1} Defendants' cross-motion to dismiss plaintiffs' complaint based on lack of subject matter jurisdiction over the copyright claim, preemption of plaintiffs' pendent state law claims by the Copyright Act, and failure to state a claim against defendant Ying for personal and individual liability, has been withdrawn in its entirety. *See* Defendants' Memorandum of Law in Opposition to

Plaintiffs' Motion for Summary Judgment (hereinafter "Def's. Opp. Mem."), dated June 9, 2000, at 1 n. 1.

BACKGROUND

Plaintiff Michael Gillespie is a freelance commercial art director and graphic artist in the fashion, film, and recording industry. *See* Fourth Amended Complaint (hereinafter "Fourth Am. Compl.") ¶ 2; Affidavit of Michael Gillespie, sworn to on Apr. 7, 2000 (hereinafter "Gillespie Aff.") ¶ 2. Plaintiff Peter Chin is a freelance photographer. *See* Fourth Am. Compl. ¶ 3; Affidavit of Peter Chin, sworn to on Apr. 6, 2000 (hereinafter "Chin Aff.") ¶ 1. Defendant Patrick Ying is the president of AST, a sportswear distributor. *See* Fourth Am. Compl. ¶ 4; Affidavit of Patrick Ying, sworn to on Oct. 20, 1998 (hereinafter "Ying Aff.") ¶ 1. In September of 1995, AST entered into an exclusive agreement with Aaron Benjamin Miles, a fashion designer more commonly known as "Benni," whereby Miles licensed his "Sir Benni Miles" trademark to AST and agreed to serve as AST's exclusive designer for the Sir Benni Miles line of apparel. *See* Affidavit of Aaron Benjamin Miles, sworn to on Oct. 23, 1998 (hereinafter "Miles Aff.") ¶¶ 2, 5-6; Ying Aff. ¶ 2. Under the terms of the agreement, Miles was responsible for all aspects of advertising and marketing, including graphics design, logo creation, and advertising concepts. *See* Miles Aff. ¶ 3.

In August 1996, Miles and Gillespie were introduced by a mutual acquaintance. *See* Miles Aff. ¶ 10; Ying Aff. ¶ 2. A few weeks later, in early September, Miles invited Gillespie to assist him in the production of certain marketing materials. *See* Miles Aff. ¶ 18; Ying Aff. ¶ 3. Soon after, the parties conducted a "photo shoot" with four models. *See* Gillespie Aff. ¶¶ 27-31; Miles Aff. ¶¶ 18-20; Ying Aff. ¶¶ 3-5. Although Chin alone took the pictures, *see* Chin Aff. ¶ 8, the parties dispute the extent to which Miles contributed to the overall photographic effort. *Compareid.* ¶¶ 7-13, and Gillespie Aff. ¶¶ 26-35, with Miles Aff. ¶¶ 19-20. The shoot produced 312 photographs, which later became various promotional materials for the Sir Benni Miles line of apparel. *See* Gillespie Aff. ¶¶ 1-2; Miles Aff. ¶ 24.

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In or about November 1996, Gillespie became aware that defendants were using various advertising and promotional materials that were based on the photographs to promote the Sir Benni Miles line of apparel. *See* Gillespie Aff. ¶ 14. Specifically, Gillespie alleges that defendants produced exhibition-size posters, advertisements in magazines including *Vibe* and *Source*, promotional cards, hangtags, folders, labels, and clothing designs that either incorporated or were derivative of one or more of the photographs. *Seeid.* ¶¶ 15, 16.

*2 In early 1997, plaintiffs registered a copyright in these photographs with the United States Copyright Office, and Gillespie registered a copyright in the design and layout for two derivative works: an advertisement for Sir Benni Miles and a promotional postcard for the clothing line. *See* Gillespie Aff. ¶¶ 4, 5. On February 3, 1997, the Copyright Office issued Certificates of Registration to both plaintiffs for the photographs and to Gillespie for the derivative works. *Seeid.* ¶¶ 4, 6. Miles maintains that he played a substantial role in creating each of these works, and therefore plaintiffs have no right to use or publish them. *See* Miles Aff. ¶¶ 40-44. Ying asserts that it was always his understanding that the rights to the photographs, advertisements, and promotional materials either belonged to AST or that AST had the exclusive right to use them, pursuant to its agreement with Miles. *See* Ying Aff. ¶¶ 19, 30. Both Miles and Ying insist that it was never contemplated that either Gillespie or Chin would hold the copyright in any of these works. *Seeid.* ¶ 27; Miles Aff. ¶ 44.

On March 18, 1997, Gillespie commenced this action against defendants. *See* Original Complaint. Gillespie has since amended the original complaint three times, most recently to name Chin as an additional plaintiff. *See* Fourth Am. Compl. ¶ 3.

The parties agree that plaintiffs were never employees of AST or Miles, and that neither plaintiff ever entered into a “work-for-hire” or “buy out” agreement with any of the defendants. *See* Plaintiffs' Statement Pursuant to [Local Civil Rule 56.1](#) (hereinafter “Pls. 56.1 Stmt.”), ¶¶ 7-8, 12, 23, 26; Defendants' Response to Pls. 56.1 Stmt. (hereinafter “Defs. 56.1 Resp.”), ¶¶ 7-8, 12, 23; Chin Aff. ¶¶ 14-15; Gillespie Aff. ¶¶ 9-12. However, the parties continue to disagree over their respective roles in the photo shoot and the creation of the promotional materials, *see* Pls. 56.1 Stmt. ¶¶ 3,

9-10, 15, 20-21; Defs. 56.1 Resp. ¶¶ 3, 10, 15, 20-21, and dispute the existence of an oral licensing agreement that would permit defendants to use the photographs and derivative works. *See* Pls. 56.1 Stmt. ¶¶ 11, 22; Defs. 56.1 Resp. ¶¶ 11, 22, 24.

Initially, both plaintiffs and defendants AST and Ying (hereinafter the “moving defendants”) sought summary judgment. *See* Plaintiffs' Notice of Motion, dated Apr. 7, 2000, at 1-2; Defendants' Notice of Cross-Motion, dated Oct. 23, 1998, at 1-2; Affidavit of Maria A. Savio, Esq., sworn to on Oct. 20, 1998 (hereinafter “Savio Aff.”), ¶¶ 17-18. However, by its memorandum of law in opposition to plaintiffs' motion, the moving defendants withdrew all of their arguments due to recent changes in the law and amendments to plaintiffs' Complaint. *See* Defendants' Memorandum of Law in Opposition to Plaintiffs' Motion for Summary Judgment (hereinafter “Defs. Opp. Mem.”), dated June 9, 2000, at 1 n. 1. In accordance with these developments, the moving defendants' motion for summary judgment is denied with prejudice, and only plaintiffs' motion for summary judgment remains to be decided.

DISCUSSION

I. Standard for Summary Judgment

*3 A moving party is entitled to summary judgment 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 a judgment as a matter of law.” [Fed.R.Civ.P. 56\(c\)](#); *see also* [Celotex Corp. v. Catrett](#), 477 U.S. 317, 322-23 (1986); [Holt v. KMI-Continental, Inc.](#), 95 F.3d 123, 128 (2d Cir.1996). The burden is on the moving party to demonstrate that no genuine issue of material fact exists. *See* [Adickes v. S.H. Kress & Co.](#), 398 U.S. 144, 157 (1970); [Gallo v. Prudential Residential Servs. L.P.](#), 22 F.3d 1219, 1223-24 (2d Cir.1994). “In moving for summary judgment against a party who will bear the ultimate burden of proof at trial, the movant's burden will be satisfied if he can point to an absence of evidence to support an essential element of the non-moving party's claim.” [Goenaga v. March of Dimes Birth Defects Found.](#), 51 F.3d 14, 18 (2d Cir.1995).

When deciding a motion for summary judgment, the Court's function is not to try issues of fact, but instead

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to determine whether there remain any such issues to try. *See Sutura v. Schering Corp.*, 73 F.3d 13, 15-16 (2d Cir.1995). In doing so, the Court must resolve all ambiguities and draw all justifiable inferences in favor of the non-moving party. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986); *see also Holt*, 95 F.3d at 129. However, the substantive law governing the case will identify those facts that are material, and “[o]nly disputes over facts that might affect the outcome of the suit under the governing law will preclude the entry of summary judgment.” *Anderson*, 477 U.S. at 248.

“A ‘genuine’ dispute over a material fact only arises if the evidence would allow a reasonable jury to return a verdict for the nonmoving party.” *Dister v. Continental Group*, 859 F.2d 1108, 1114 (2d Cir.1988) (quoting *Anderson*, 477 U.S. at 248). Thus, the non-moving party “must do more than simply show that there is some metaphysical doubt as to the material facts.” *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). “[M]ere speculation or conjecture” will not suffice, *Western World Ins. Co. v. Stack Oil, Inc.*, 922 F.2d 118, 121 (2d Cir.1990), nor will “reliance on unsupported assertions.” *Goenaga*, 51 F.3d at 18. Rather, the non-moving party must provide “concrete evidence from which a reasonable juror could return a verdict in his favor.” *Anderson*, 477 U.S. at 256.

II. Disputed Facts

The parties have identified three issues that remain in dispute, although they disagree as to whether the issues are material to the outcome of this case. These issues are: (1) whether Miles is a joint author of the photographs and promotional materials; (2) whether plaintiffs' copyright registrations are invalid on account of their failure to name Miles as a co-author; and (3) whether the parties entered into a licensing agreement to use the copyrighted works. The Court will address each issue in turn.

A. Joint Authorship

*4 The Copyright Act defines a “joint work” as “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. Joint authors, who co-own the copyright, *see* 17 U.S.C. § 201(c), each have an independent and

undivided right to use or license the copyright, subject only to a duty to account to the other joint owner(s) for any profits earned. *See Thomson v. Larson*, 147 F.3d 195, 199 (2d Cir.1998); *see also Weissmann v. Freeman*, 868 F.2d 1313, 1318 (2d Cir.1989) (“[A]n action for infringement between joint owners will not lie because an individual cannot infringe his own copyright.”).

Plaintiffs claim to have established as a matter of law that they alone jointly own the photographs and that Gillespie is the sole and exclusive owner of the derivative materials. *See* Plaintiffs' Memorandum of Law for Summary Judgment (hereinafter “Pls. Mem.”) at 18; Plaintiffs' Reply Memorandum in Further Support of Their Motion for Summary Judgment (hereinafter “Pls. Rep. Mem.”) at 3, 6-7. The moving defendants, on the other hand, claim that genuine issues of material fact exist as to whether Miles can also be considered a joint author of the aforementioned works. *See* Defs. Opp. Mem. at 3-6. For the following reasons, plaintiffs' motion for summary judgment on the issue of joint authorship is denied.

1. Intent

For a “joint work” to exist, “it is not sufficient that the authors simply collaborated with each other,” *Kaplan v. Vincent*, 937 F.Supp. 307, 316 (S.D.N.Y.1996), or that they “intend their contributions to be merged into inseparable parts of a unitary whole,” *Childress v. Taylor*, 945 F.2d 500, 507 (2d Cir.1991). Rather, the joint authors must intend to regard themselves as joint authors. *See Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 753 (1989); *Thomson*, 147 F.3d at 199 (“The touchstone of the statutory definition [of ‘joint work’] ‘is the intention at the time the writing is done that the parts be absorbed or combined into an integrated unit.’”) (quoting H.R.Rep. No. 1476, 94th Cong. 120, 121 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5735); *Papa's-June Music, Inc. v. McLean*, 921 F.Supp. 1154, 1157 (S.D.N.Y.1996) (“The requisite intent to create a joint work exists when the putative joint authors intend to regard themselves as joint authors. It is not enough that they intend to merge their contributions into one unitary work.”) (citation omitted).

As the Court of Appeals for the Second Circuit explained in *Childress*, the collaborators must “entertain in their minds the concept of joint authorship.” 945

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[F.2d at 508](#). Where the parties do not fully intend to share equally the benefits of the copyright, they can better divide their interests through contract negotiations. *See id. at 509*. Thus, “[e]xamination of whether the putative co-authors ever shared an intent to be co-authors serves the valuable purpose of appropriately confining the bounds of joint authorship arising by operation of copyright law, while leaving those not in a true joint authorship relationship with an author free to bargain for an arrangement that will be recognized as a matter of both copyright and contract law.” *Id. at 508*.

*5 Plaintiffs seek summary judgment on the defendants' joint authorship defense, arguing that defendants, who bear the burden of proof at trial, ^{FN2} cannot establish that Miles considered himself a co-author at the time he allegedly contributed to the photographs, or that plaintiffs ever considered Miles a co-author. In support of their claim that the parties lacked the requisite intent, plaintiffs rely heavily on *Childress*, where the Second Circuit found no evidence that the plaintiff “ever contemplated, much less would have accepted,” crediting the play as co-authored by her and the defendant. [945 F.2d at 509](#). Therefore, the court concluded that “whatever thought of co-authorship might have existed in [the defendant's] mind ‘was emphatically not shared by the [plaintiff].’” Plaintiffs contend that Gillespie selected the models, subject to Miles's approval, *see Gillespie Aff.* ¶¶ 27, 29; that Gillespie created the design and layout for the advertisement and promotional postcard on his computer, which he operated alone, *see id.* ¶¶ 5, 31; and that Gillespie and Chin made all the decisions regarding the photo shoot, including the selection of the studio, the type of cameras, film, and lighting to be used, the posing of the models, and the camera setting and angles to produce the final image. *See id.* ¶ 31; Chin Aff. ¶ 7. Quite to the contrary, Miles asserts that he selected the models, along with their clothing and their poses, as well as the lighting and the pictures to be used. *See Miles Aff.* ¶¶ 18-21. Miles also claims to have been “solely responsible” for the layout of the advertisement. *Id.* ¶ 23.

^{FN2}. Under the Copyright Act, a Certificate of Registration made within five years after a work is first published constitutes “*prima facie* evidence of the validity of the copyright and of the facts stated in the certificate.” [17 U.S.C. § 410\(c\)](#). Although “[t]he statutory

presumption is by no means irrebuttable,” it “does order the burden of proof.” *Langman Fabrics v. Graff Californiawear, Inc.*, [160 F.3d 106, 111 \(2d Cir.1998\)](#); *see also Hamil Am., Inc. v. G.F.I.*, [193 F.3d 92, 98 \(2d Cir.1999\)](#) (holding that “[t]he party challenging the validity of the copyright has the burden to prove the contrary”); *Carol Barnhart, Inc. v. Economy Cover Corp.*, [773 F.2d 411, 414 \(2d Cir.1985\)](#). Thus, once a party produces the copyright certificate, its opponent bears the burden of establishing the affirmative defense of joint authorship. *See Jerry Vogel Music Co. v. Forster Music Publisher*, [147 F.2d 614, 615 \(2d Cir.1945\)](#); *Design Options, Inc. v. Bellpointe, Inc.*, [940 F.Supp. 86, 89 \(S.D.N.Y.1996\)](#).

As noted above, plaintiffs possess Certificates of Registration in their names for the photographs and in Gillespie's name for the derivative works. Accordingly, plaintiffs have established a *prima facie* case of copyright ownership, and therefore defendants must rebut plaintiffs' *prima facie* case at trial.

Having considered the affidavits of Messrs. Gillespie, Chin, and Miles, the Court cannot resolve this contest of oaths without delving into the credibility of the various parties. The Second Circuit has warned that when the disposition of a case depends on the intent of the parties, a “trial court must be cautious about granting summary judgment.” *Gallo v. Prudential Residential Servs.*, [22 F.3d 1219, 1224 \(2d Cir.1994\)](#); *see also Gelb v. Board of Elections*, [224 F.3d 149, 157 \(2d Cir.2000\)](#) (“[S]ummary judgment is generally inappropriate where questions of intent and state of mind are implicated.”). Here, the alleged acts of defendants, if taken as true, are not inconsistent with a shared intent to treat Miles as a joint author. Although *Childress* held otherwise in the context of a play, ^{FN3} a reasonable trier of fact, drawing all inferences in favor of defendants, could conclude that plaintiffs considered Miles a joint author of the photographs and promotional materials and that Miles considered himself such a joint author. *See Roth v. D'Alessio, No. 96 C 2250, 1997 WL 124260*, at *7 (N.D.Ill. Mar. 13, 1997) (finding the existence of a genuine question of material fact regarding the respective amount of control each party had at a photo shoot, including the

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selection of models, products, and situations to be photographed). Thus, the parties' collective intent presents a genuine issue of material fact sufficient to preclude summary judgment.

FN3. The Court notes that while *Childress* stands for the proposition that “[a] playwright does not so easily acquire a co-author,” *Childress*, 945 F.2d at 509, the same is not necessarily true for photographers. See, e.g., *Marco v. Accent Publ'g Co.*, 969 F.2d 1547, 1552 n. 20 (3d Cir.1992); *Roth v. D'Allesio*, No. 96 C 2250, 1997 WL 124260, at *7 (N.D.Ill. Mar. 13, 1997); *Strauss v. Hearst Corp.*, 8 U.S.P.Q.2d 1832, 1836-38 (S.D.N.Y.1988).

2. Independently Copyrightable Contribution

*6 Plaintiffs further argue that defendants cannot establish joint authorship because they have failed to make the required showing that Miles's contributions were independently copyrightable. Surprisingly, there is little case law on the issue of joint authorship of photographs. The Second Circuit, however, requires “all joint authors to make copyrightable contributions, leaving those with non-copyrightable contributions to protect their rights through contract.” *Childress*, 945 F.2d at 507. Therefore, the Court must determine whether the record permits a trier of fact to find that Miles's contributions, as alleged, constitute an independently copyrightable work.

Persons other than the photographer can certainly have authorship rights in a photograph, based on their original contributions. While it only takes a single person to snap a picture, a professional photograph often requires the participation of many individuals. “Elements of originality in a photograph may include posing the subjects, lighting, angle, selection of film and camera, evoking the desired expression, and almost any other variant involved.” *Rogers v. Koons*, 960 F.2d 301, 307 (2d Cir.1992). Thus, a person need not hold the camera or push a button to be considered the author of a visual work, since one can exercise control over the content of a work without holding the camera. See *Lindsay v. The Wrecked and Abandoned Vessel R.M.S. Titanic*, No. 97 Civ. 9248, 1999 WL 816163, at *5 (S.D.N.Y. Oct. 13, 1999) (“All else being equal, where a plaintiff alleges that he exercised such a high degree of control over a film opera-

tion-including the type and amount of lighting used, the specific camera angles to be employed, and other detail-intensive artistic elements of a film-such that the final product duplicates his conceptions and visions of what the film should look like, the plaintiff may be said to be an ‘author’ within the meaning of the Copyright Act.”).

To bolster their claim that Miles's alleged contributions, even if true, would not be independently copyrightable, plaintiffs rely on *Medallic Art Co. v. Novus Marketing, Inc.*, No. 99 Civ. 502, 1999 WL 619579 at *1- *2 (S.D.N.Y. Aug. 16, 1999), and *Design Options v. Bellepointe, Inc.*, 940 F.Supp. 86, 90 (S.D.N.Y.1996), where this Court granted summary judgment against defendants claiming joint authorship.^{FN4} These decisions, however, are easily distinguishable from the facts of this case.

FN4. Plaintiffs, in their reply brief, incorrectly cite *Maurizio v. Goldsmith*, 84 F.Supp.2d 455 (S.D.N.Y.2000), for the proposition that summary judgment was granted to a party claiming sole authorship. See Pls. Rep. Mem. at 7 n. 11. A close reading of the opinion, however, reveals that on the issue of joint authorship, the Court actually denied summary judgment. See *id.* at 464-67 (finding a genuine issue of material fact existed regarding defendant's intent and the copyrightability of her contributions to a novel).

In *Medallic*, the Court denied the defendant's claim of joint authorship where the defendant had entered into a contract with the plaintiff to manufacture various custom minted products, including three-dimensional reproductions of Treasury notes and coins. See <http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=999&FindType=Y&SerialNum=1999193814> *Medallic*, 1999 WL 619579, at *1. The Court found that the defendant had told the plaintiff which Treasury notes and coins it wanted the plaintiff to replicate and sold those products through its catalogues. See *id.* When the defendant declined to renew the contract, the plaintiff sought an injunction to prevent the defendant from employing other manufacturers to produce duplicates of its designs. See *id.* After noting that while the defendant “had final approval [over] the finished product, it made only minimal suggestions concerning the de-

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sign,” the Court concluded that the defendant’s “contributions to the design were minimal and not independently copyrightable.” *Id.* Accordingly, the Court granted the plaintiff’s request for an injunction prohibiting the defendant from having the plaintiff’s designs copied by other manufacturers. *Seeid.* at *2.

*7 Similarly, in *Design Options* the defendant claimed to have suggested ideas “for themes, trims or colors” of sweater designs. 940 F.Supp. at 90. However, the defendant conceded that its input did not “rise to the requisite level to qualify as a joint author.” *Id.* Consequently, the Court did not hesitate to conclude that the defendant’s ideas were not, as a matter of law, independently copyrightable. *Seeid.*

Without a doubt, Miles’s alleged contributions to the photographs and promotional materials, if true, were comparatively more significant than those of the defendants in *Medallic* and *Design Options*. Moreover, Miles’s contributions went beyond mere ideas, which, under the Copyright Act, the Constitution, and common law, are not copyrightable.^{FN5} Assuming Miles did indeed pose the models and select the lighting and camera angles, such actions would constitute “expression” of an idea, as distinguished from the idea itself. *See Reid*, 490 U.S. at 737 (“As a general rule, the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection.”); *New York Times Co. v. United States*, 403 U.S. 713, 726, n.* (1971) (Brennan, J., concurring) (“[T]he copyright laws, of course, protect only the form of expression and not the ideas expressed.”); *Mazer v. Stein*, 347 U.S. 201, 217 (1954) (“Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea-not the idea itself.”).

^{FN5}.*See* 17 U.S.C. § 102(b) (“In no case does copyright protection for an original work of authorship extend to any idea....”); *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 556 (1985) (“No author may copyright his ideas....”); *International News Serv. v. Associated Press*, 248 U.S. 215, 254 (1918) (Brandeis, J., dissenting) (“At common law, as under the copyright acts, the element in intellectual productions which secures such protection, is not the knowledge, truths, ideas, or emotions which the compo-

sition expresses, but the form or sequence in which they are expressed....”).

Since the trier of fact could conclude that Miles exercised sufficient control over the photo shoot to support defendants’ claim of joint authorship, the Court cannot say that, as a matter of law, Miles’s contributions were not sufficient to make him a joint author of the photographs and promotional materials. As such, plaintiffs’ motion for summary judgment on defendants’ joint authorship defense must be denied.

B. The Validity of the Copyright Registration

Second, plaintiffs claim that if Miles was not a joint author of the registered works, the defense of fraud on the Copyright Office must be rejected as a matter of law. *See* Pls. Rep. Mem. at 7 & n .12. However, the validity of the plaintiffs’ Certificates of Registration is dependent upon resolution of the issue of joint authorship. Therefore, Miles’s success or lack thereof on his claim of joint authorship will necessarily determine the validity of plaintiffs’ copyright registrations. Since questions of fact exist as to whether Miles can be considered a co-author of the works, summary judgment is inappropriate as to this issue as well. *See Roth*, 1997 WL 124260, at *7.

C. Licensing Agreement

Finally, plaintiffs contend that defendants cannot demonstrate the existence of a license authorizing their use of the copyrighted photographs and materials. The Copyright Act prescribes a comprehensive scheme for the licensing of copyrighted works. *See, e.g.*, 17 U.S.C. §§ 101, 201(d), 204, 205 (defining “copyright owner” and “transfer of copyright ownership”). There are three possible types of licenses: (1) written; (2) oral; and (3) implied. *See Graham v. James*, 144 F.3d 229, 235 (2d Cir.1998). While a written license may be either exclusive or non-exclusive, an oral license and an implied license can only be non-exclusive. *See* 17 U.S.C. § 204(a) (“A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner’s duly authorized agent.”). Here, it is undisputed that no written licensing agreement exists between the parties.

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*8 As with joint authorship, the existence of a license would provide defendants with an affirmative defense to copyright infringement. See *Bourne v. Walt Disney Co.*, 68 F.3d 621, 631 (2d Cir.1995), cert.denied 517 U.S. 1240 (1996). Because plaintiffs' registered copyrights for the photographs and materials at issue, defendants bear the burden of proving the existence of a licensing agreement that permitted their use of the copyrighted materials. See *Tasini v. New York Times*, 206 F.3d 161, 171 (2d Cir.2000) ("Where the dispute turns on whether there is a license at all, the burden is on the alleged infringer to prove the existence of the license."); *Bourne*, 68 F.3d at 631 ("Since, in such cases, evidence of a license is readily available to the alleged licensee, it is sensible to place upon that party the burden of coming forward with evidence of a license.").

Plaintiffs seek summary judgment on this affirmative defense, asserting that defendants' claim is wholly deficient. However, defendants assert that "[i]n exchange for ... compensation, payment of expenses, and use of a computer, the parties had agreed that AST and Miles could use the photographs taken at the shoot as well as the promotional and advertising materials." Defs. Opp. Mem. at 9. This claim is supported by the affidavit of Patrick Ying, which recounts an arrangement between the parties regarding Gillespie's charge for time, expenses, and other assistance to defendants. See Ying Aff. ¶¶ 3, 6-8. Although neither Miles nor Ying specifically alleges that Gillespie intended to license copyright privileges to AST and Miles, see Pls. Rep. Mem. at 8-9, the obvious implication of Ying's description of the parties' arrangement was that Miles and/or AST would be permitted to use the products of the photo shoot in exchange for reimbursing Gillespie's expenses. See Ying Aff. ¶ 3. Plaintiffs have offered no reason why defendants would invite them to take the photographs at issue other than their anticipation that they would have the right to use to photographs in subsequent promotional campaigns. Since the Court must resolve ambiguities and draw all inferences in favor of the non-moving party in a motion for summary judgment, see *Anderson*, 477 U.S. at 255, the Court will read the affidavits to set forth allegations of intent to enter into a licensing agreement.

Perhaps the best evidence of the existence of an oral agreement is plaintiff Gillespie's prior admission, in his Third Amended Complaint, that "[his] submission

of his work to defendants constituted a contract in which they agreed not to exploit the work or use it as the basis for or in connection with any commercial enterprise without obtaining plaintiff's permission and compensating plaintiff therefore." Third Am. Compl. ¶ 19.^{FN6} Gillespie further alleged that he and the defendants "reached an agreement that [he] would be compensated for defendants' use of his work." *Id.* ¶ 20. Based on defendants' failure to obtain his permission and to compensate him, plaintiff charged that defendants breached this implied-in-fact contract. See *id.* ¶ 21.

^{FN6} Although defendants did not include plaintiffs' Third Amended Complaint in their moving papers, they did include plaintiffs' original Proposed Fourth Amended Complaint, which had been prepared by prior counsel and which, for all relevant purposes, is identical to the Third Amended Complaint. See *Savio Aff.*, ¶¶ 18-20.

*9 Although upon retaining new counsel, plaintiffs endeavored to purge their complaint of these allegations, see Fourth Am. Compl. ¶¶ 5-16, "[t]he amendment of a pleading does not make it any the less an admission of the party." *Andrews v. Metro-North Commuter R.R. Co.*, 882 F.2d 705, 707 (2d Cir.1989); see also *Kunglig Jarnvagsstyrelsen v. Dexter & Carpenter, Inc.*, 32 F.2d 195, 198 (2d Cir.1929) ("A pleading prepared by an attorney is an admission by one presumptively authorized to speak for his principal.... When a pleading is amended or withdrawn, the superseded portion ceases to be a conclusive judicial admission; but it still remains as a statement once seriously made by an authorized agent, and as such it is competent evidence of the facts stated, though controvertible, like any other extra-judicial admission made by a party or his agent."). Moreover, the Second Circuit has held that "it is a substantial abuse of discretion not to allow the jury to be aware that a complaint has been amended, and to examine the prior complaint." *United States v. GAF Corp.*, 928 F.2d 1253, 1260 (2d Cir.1991) (citing *Andrews*, 882 F.2d at 707). As the Second Circuit concluded in *United States v. McKeon*, "[a] party ... cannot advance one version of the facts in its pleadings, conclude that its interests would be better served by a different version, and amend its pleadings to incorporate that version, safe in the belief that the trier of fact will never learn of the change in stories." 738 F.2d 26, 31 (2d

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[Cir.1984](#)). Therefore, plaintiff Gillespie's previous admission of the existence of an oral agreement, notwithstanding his assertion of a breach, certainly confirms defendants' contention that reasonable minds could differ as to this important issue of fact.

Finally, plaintiffs argue that even if Miles acquired non-exclusive rights to the copyrighted works, such rights could not have passed to AST because non-exclusive rights are non-transferrable. *See* Pls. Rep. Mem. at 9 & n. 18 (citing [Harris v. Emus Records Corp.](#), 734 F.2d 1329, 1333 (9th Cir.1984); [Ilyin v. Avon Publications, Inc.](#), 144 F.Supp. 368, 372 (S.D.N.Y.1956)). Plaintiffs' argument, however, would ignore the pre-existing relationship between Miles and AST. Miles had been hired by AST to design and oversee production of the Sir Benni Miles line of clothing. *See* Miles Aff. ¶ 2. Because his responsibilities included advertisement and marketing, including graphics and logo design, *seeid.* ¶ 3, it would be fair to assume that Miles had the authority to act as AST's agent in procuring copyrights in promotional materials and designs. Consequently, a reasonable finder of fact could conclude that Miles entered into the oral agreement on behalf of AST, and therefore AST acquired its license directly from Gillespie and not via any sort of transfer.

For all these reasons, plaintiffs' motion for summary judgment on the issue of an oral license must be denied. “[S]ummary judgment is an improper procedural vehicle for determining the parties' intent not to be bound in the absence of written agreements—even in cases where evidence strongly suggests the contrary.” [Consarc Corp. v. Marine Midland Bank, N.A.](#), 996 F.2d 568, 576 (2d Cir.1993) (citing [Babdo Sales, Inc. v. Miller-Wohl Co.](#), 440 F.2d 962, 965 (2d Cir.1971)); *see also* [Media Sport & Arts v. Kinney Shoe Corp.](#), No. 95 Civ. 3901, 1999 WL 946354, at *3 (S.D.N.Y. Oct. 19, 1999) (Leisure, J.) (“[i]ssues of contract formation involve ‘quintessential common law jury question[s]’”) (quoting [Kidder, Peabody & Co. v. IAG Int'l Acceptance Group](#), 14 F.Supp.2d 391, 404 (S.D.N.Y.1998)) (alteration in original). These issues are better left to the trier of fact, who will be able to judge the credibility of the witnesses and the plausibility of their recollections.

CONCLUSION

*10 For the foregoing reasons, plaintiffs' motion for

summary judgment is HEREBY DENIED in its entirety. As the moving defendants have withdrawn all of their arguments, the moving defendants' motion for summary judgement is also HEREBY DENIED with prejudice. The parties are ordered to appear before this Court at the United States Courthouse, 500 Pearl Street, Courtroom 18B, New York, New York, on March 15, 2001, at 2:30 p.m. for a pre-trial conference.

SO ORDERED.

S.D.N.Y.,2001.

Gillespie v. AST Sportswear, Inc.

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HOnly the Westlaw citation is currently available.

United States District Court,
C.D. California,
Western Division.
MOTOROLA, INC., Plaintiff
v.
Harold PICK, et al., Defendants.
No. CV 04-2655 ABC (SHx).

May 26, 2005.

[Craig Steven Rutenberg](#), [Mark S. Lee](#), [Shari Mulrooney Wollman](#), Manatt, Phelps and Phillips, [Jeffrey M. Cohon](#), Cohon & Pollak, Los Angeles, CA, for Plaintiff.

[Richard H. Gibson](#), Richard H. Gibson Law Offices, Los Angeles, CA, for Defendants.

ORDER RE: PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT ON ITS COPYRIGHT AND TRADEMARK INFRINGEMENT CLAIMS AND PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT ON DEFENDANTS' COUNTERCLAIMS

[AUDREY B. COLLINS](#), District Judge.

*1 Motorola, Inc. ("Plaintiff") filed the above-referenced motions for summary judgment against Harold Pick ("Pick"), dba C. Donnelly Co. ("Donnelly") and Radio Design; Dale Ketchersid ("Ketchersid"); and Covert Services, Inc. ("CSI"), dba Radio Design and Engineering ("RDE") (collectively, "Defendants"). The motions came on for hearing on May 25, 2005. After considering the materials submitted by the parties, argument of counsel, and the case file, the Court hereby GRANTS IN PART and DENIES IN PART Plaintiff's motion for summary judgment on its copyright and trademark claims and Plaintiff's motion for summary judgment on Defendants' counterclaims.

I. FACTUAL AND PROCEDURAL BACKGROUND

Plaintiff designs and manufactures a variety of elec-

tronics products, including two-way radios, for distribution and use throughout the United States. *See* First Amended Complaint ("FAC") ¶ 29. These radios are typically used for two-way radio communications by "1st Responder" government agencies, such as police and fire departments, and private companies requiring radio-dispatching services, such as towing trucks and taxicabs. *See id.* In April 2004, Plaintiff sued a number of individuals and business entities, including Defendants, for their alleged participation in a scheme to fraudulently acquire Motorola parts to build and sell counterfeit radios to third parties.^{FN1} *See id.* ¶¶ 3-23, 46. Plaintiffs also alleged that Defendants obtained unlicensed versions of Plaintiff's proprietary software to program the counterfeit radios. *See id.* ¶¶ 32-33. The Federal Bureau of Investigation, independent of this case, seized various items from Defendants in February 2004, including counterfeit radios and unlicensed software. *See id.* at ¶¶ 49-51.

^{FN1} The instant motions specifically relate to Defendants' sale of radios to third parties Quixote Studios and the Los Angeles County Office of Public Safety ("LACOPS").

Plaintiff filed a complaint on April 16, 2004 and a First Amended Complaint on June 18, 2004, containing claims for copyright and trademark infringement, fraud, breach of contract, breach of the implied covenant of good faith and fair dealing, and unfair competition. On July 2, 2004, this Court entered a preliminary injunction enjoining Defendants from infringing Plaintiff's copyrights and trademarks.

On August 4, 2004, Defendants filed their Second Amended Counterclaims ("SAC"), alleging breach of contract, conversion, intentional interference with contract, and defamation. CSI alleges that Plaintiff breached its agreement under Plaintiff's Modular Exchange Program, which allows customers to send in old parts, such as radio boards, in exchange for new replacements at lower prices. *See* SAC ¶¶ 11, 25. CSI and Donnelly ordered and paid for one hundred (100) replacement boards under Plaintiff's Modular Exchange Program in order to fulfill a radio repair contract CSI had entered with Quixote Studios. *See* SAC ¶¶ 15-16, 22-23. Plaintiff, however, would not accept the order without assurance that the replacement

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boards would not be used to manufacture radios from parts. *See* Declaration of Pamela Curtis ¶ 6. Believing that Defendants planned to use the replacement parts to manufacture counterfeit radios, Plaintiff put the account on hold and did not ship the replacement boards. *See id.* ¶ 9. As a result, Defendants were unable to fulfill their contract with Quixote Studios to provide repaired radios with legitimate replacement radio boards. *See* SAC ¶ 37. Defendants also allege that Plaintiff made defamatory statements regarding Defendants to third parties, thereby damaging Defendants' business reputations. *See* SAC ¶¶ 43-44.

*2 On April 26, 2005, Plaintiff filed the instant motions for summary judgment with respect to Plaintiff's copyright and trademark infringement claims and Defendant's breach of contract, conversion, intentional interference with contract, and defamation counterclaims. Defendants filed oppositions on May 12, 2005, and Plaintiff filed replies on May 17, 2005. Oral argument on both motions was heard on May 25, 2005.

II. LEGAL STANDARD

It is the burden of the party who moves for summary judgment to establish that there is "no genuine issue of material fact, and that the moving party is entitled to judgment as a matter of law." [Fed.R.Civ.P. 56\(c\)](#); [British Airways Bd. v. Boeing Co.](#), 585 F.2d 946, 951 (9th Cir.1978). If, as here, the moving party has the burden of proof at trial (the plaintiff on a claim for relief, or the defendant on an affirmative defense), the moving party must make a showing sufficient for the court to hold that no reasonable trier of fact could find other than for the moving party. *See* [Calderone v. United States](#), 799 F.2d 254, 259 (6th Cir.1986) (quoting W. Schwarzer, *Summary Judgment Under the Federal Rules: Defining Genuine Issues of Material Fact*, 99 F.R.D. 465, 487-88 (1984)). This means that, if the moving party has the burden of proof at trial, that party "must establish beyond peradventure *all* of the essential elements of the claim or defense to warrant judgment in [that party's] favor." [Fontenot v. Upjohn Co.](#), 780 F.2d 1190, 1194 (5th Cir.1986).

If the opponent has the burden of proof at trial, then the moving party has no burden to negate the opponent's claim. *See* [Celotex Corp. v. Catrett](#), 477 U.S. 317, 323, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). In other words, the moving party does not have the bur-

den to produce *any* evidence showing the absence of a genuine issue of material fact. *See id.* at 325. "Instead, ... the burden on the moving party may be discharged by 'showing'-that is, pointing out to the district court-that there is an absence of evidence to support the nonmoving party's case." *Id.*

Once the moving party satisfies this initial burden, "an adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings ... [T]he adverse party's response ... *must set forth specific facts* showing that there is a genuine issue for trial." [Fed.R.Civ.P. 56\(e\)](#) (emphasis added). A "genuine issue" of material fact exists only when the nonmoving party makes a sufficient showing to establish the essential elements to that party's case, and on which that party would bear the burden of proof at trial. [Celotex](#), 477 U.S. at 322-23. "The mere existence of a scintilla of evidence in support of the plaintiff's position will be insufficient; there must be evidence on which a reasonable jury could reasonably find for plaintiff." [Anderson v. Liberty Lobby, Inc.](#), 477 U.S. 242, 252, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). The evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in favor of the nonmovant. *See id.* at 248. However, the Ninth Circuit has held that a party cannot avoid summary judgment by submitting affidavits to contradict earlier testimony in an attempt to create "sham" issues. [Kennedy v. Allied Mutual Insurance Co.](#), 952 F.2d 262, 266-67 (9th Cir.1991). District courts should make a factual determination as to whether the contradictions are "sham" issues or legitimate clarifications of confused deposition testimony. *See id.*

III. DISCUSSION

*3 Plaintiff moves the Court for summary judgment on the grounds that Defendants (1) engaged in direct and secondary copyright infringement of Plaintiff's software programs; and (2) sold used radios so altered that such sales constituted trademark infringement. Plaintiff also seeks summary judgment on Defendants' counterclaims for defamation, intentional interference with contract, breach of contract, and conversion. The Court finds that Defendants have raised genuine issues of material fact sufficient to avoid summary judgment as to Plaintiff's trademark infringement claim and Defendants' intentional interference with contract and breach of contract counterclaims, but not as to Plaintiff's copyright infringement claim and the remaining

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counterclaims.

A. Plaintiff's Motion for Summary Judgment on Copyright and Trademark Infringement Claims Is GRANTED IN PART and DENIED IN PART.

1. Plaintiff's Motion for Summary Judgment on Direct Copyright Infringement Is GRANTED.

Plaintiff's First Amended Complaint asserts that Pick infringed twelve (12) computer software programs owned by Plaintiff.^{FN2} In order to establish copyright infringement, Plaintiff must show (1) ownership of a copyright; and (2) copying by defendant Pick. *See Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991). Copyright registrations are prima facie evidence of ownership of the copyrights. *See* 17 U.S.C. § 410(c).

^{FN2} The 12 software programs are identified in Plaintiff's First Amended Complaint. *See* First Amended Complaint ¶ 35.

Here, Plaintiff's ownership of copyrights for the 12 software programs which form the basis of its infringement claim is undisputed. Plaintiff submitted Certificates of Registration issued by the United States Copyright Office for each of these 12 programs. *See* FAC, Exs. 2-13. Moreover, Plaintiff argues that there are no genuine issues of material fact that Pick copied the software programs. First, Pick's Computer Number 9, as seized and labeled by the FBI, contained hundreds of versions of Plaintiff's software copied onto the hard drive, including the 12 programs which form the basis of Plaintiff's copyright claim.^{FN3} *See* Declaration of Mark Alcock ("Alcock Decl.") ¶¶ 5-6.

^{FN3} The Court rejects Defendants' attempt to exclude the evidence seized by the FBI, including Computer 9. Plaintiff has established a proper chain of custody of Computer 9 as seized by the FBI and delivered to its forensic expert, Mark Alcock. *See* Supplemental Declaration of Mark Alcock ¶ 2; Declaration of Special Agent Ken McGuire ¶¶ 2-3; Declaration of Special Agent Kent Vandersteen ¶¶ 2-6.

Second, Pick admitted copying five of the twelve

programs onto this computer, albeit with licenses. *See* Deposition of Harold Pick ("Pick Depo.") at 165:23-167:7. However, Plaintiff presented uncontradicted evidence that its records did not show that Pick had a license to copy any of the 12 software programs found on Computer 9. *See* Declaration of Jill Scherer ("Scherer Decl.") ¶¶ 6-11. Pick's blanket declaration that he owns licenses to Plaintiff's copyrighted software but cannot locate them is insufficient to avoid summary judgment. Pick provided no specific facts to support this defense, such as a sales receipt, shipping order, or packaging. Plaintiff's review of its databases confirmed that no licenses had ever been sold to Pick under the Donnelly account numbers, which Pick admitted were the only account numbers he would have used. *See* Pick Depo. at 84:7-85:7. Pick's contention that he purchased licenses for Plaintiff's programs in the early 1990s also fails, as 10 out of the 12 software programs at issue were not created until 1996 or later. *See* Declaration of Harold Pick ¶ 8; FAC, Exs. 2-13.

*4 Finally, the Court rejects Pick's argument that the software programs pre-existed on the computer when he purchased it used, as Plaintiff's forensic expert found evidence that all 12 of the copyrighted software programs had been created on Computer 9 after Pick acquired it. *See* Alcock Decl. ¶¶ 4-6, 9-11. Accordingly, the Court finds that no triable issues exist as to Plaintiff's copyright infringement claim with respect to Computer 9.

In addition to Computer 9, the Court also finds that summary judgment is appropriate on Plaintiff's copyright infringement claim with respect to Pick's personal computer that he used at his Santa Monica residence. *See* Pick Depo. at 49:18-22; Declaration of Craig Rutenberg ¶¶ 9-14, Exs. 7-14. After much delay and confusion, Pick finally produced this computer, and Plaintiff's forensic expert found that the computer's hard drive had been switched three days before the computer's production, making it impossible to discover what software had been on it. *See* Alcock Decl. ¶ 11. Pick's only response is that there was confusion regarding the scheduling of inspections and that Pick continued to use his computers as a normal part of his business. The Court does not find these excuses persuasive, given Pick's duty to preserve and produce relevant evidence, his failure to appear at a scheduled inspection time, and Plaintiff's expert's forensic evidence that the hard drive was switched

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three days before the scheduled inspection. Accordingly, Plaintiff is entitled to an adverse inference regarding the Santa Monica computer due to Pick's spoliation of the evidence. See [Akiona v. U.S., 938 F.2d 158, 161 \(9th Cir.1991\)](#).^{FN4}

FN4. Allowing adverse inferences is based on two rationales, both of which apply in this case. See [Akiona, 938 F.2d at 161](#). First, Pick, who was on notice that his computer was relevant to the litigation and that Plaintiff intended to inspect it, is more likely to have been threatened by the evidence and thus destroyed it. Second, there is deterrence value in allowing an adverse inference from spoliation of evidence. The Court cautions Pick not to engage in any further destruction of evidence before the trial.

2. Plaintiff's Motion for Summary Judgment As to Contributory and Vicarious Copyright Infringement Is DENIED.

In order to establish contributory copyright infringement, Plaintiff must show that Ketchersid, CSI, and RDE (1) had knowledge of Pick's infringing activities; and (2) induced, caused, or materially contributed to Pick's infringing activities. See [Ellison v. Robertson, 357 F.3d 1072, 1076 \(9th Cir.2004\)](#). To be vicariously liable for copyright infringement, Ketchersid, CSI, and RDE must (1) derive a financial benefit from Pick's infringing activities; and (2) have the right and ability to supervise Pick's infringing activities. See *id.*

The Court finds that Plaintiff has failed to establish the absence of any genuine issues of material fact as to contributory and vicarious copyright liability. Plaintiff dedicates a single footnote to these claims in its moving papers, merely reciting the legal elements of the claims, but providing no factual citations to the evidence in support of the specific factors for contributory and vicarious liability.^{FN5} Beyond this naked footnote, Plaintiff also asserted in its introductory statement of the facts that Ketchersid and Pick commingled their business assets and lived together. See Plaintiff's Motion for Summary Judgment at 2-3. As discussed below, these general recitations are insufficient to support summary judgment on the contributory and vicarious infringement claims.

FN5. Counsel for Plaintiff blamed Plaintiff's

inadequate briefing of the secondary copyright liability claims on Local Rule 11-6, which limits briefs to twenty-five pages unless otherwise permitted by the Court. The Court notes, however, that Plaintiff did not seek leave to file a longer brief in order to thoroughly address the issues.

***5** The Court finds that genuine issues of material fact remain as to Plaintiff's contributory infringement claim, as Ketchersid denies having actual knowledge of Pick's infringing activities and has raised factual issues regarding implied knowledge. See Declaration of Dale Ketchersid ¶¶ 4-6. Moreover, Plaintiff's argument that Ketchersid contributed to Pick's infringing activities by providing office space and equipment raises factual issues as to what equipment was provided and whether such equipment would be capable of substantial noninfringing uses. See [Matthew Bender & Co., Inc. v. West Publishing Co., 158 F.3d 693, 706 \(9th Cir.1998\)](#) ("the provision of equipment does not amount to contributory infringement if the equipment is 'capable of substantial noninfringing uses.'").

Similarly, triable issues remain as to Plaintiff's vicarious infringement claim. First, while a relationship may exist between Defendants' profits and Pick's infringing use of Plaintiff's software, Plaintiff's reliance on general evidence of co-mingled assets is insufficient for summary judgment, as factual issues remain as to whether Ketchersid derived financial benefit specifically from Pick's copyright infringement. Further, the Court finds that genuine issues of material fact remain as to Ketchersid's right and ability to supervise or control Pick's activities. For instance, while the Court agrees that an employer has the right and ability to supervise its employees, the evidentiary record raises factual questions as to whether Pick is an employee of Ketchersid and CSI. See Deposition of Ketchersid at 44:9-21. Although one may be vicariously liable even in the absence of an employer-employee relationship, Plaintiff has failed to offer sufficient evidence such that a reasonable juror could not conclude that Ketchersid lacked the right and ability to supervise Pick. See [Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 262 \(1996\)](#). Therefore, the Court finds that triable issues exist as to Plaintiff's secondary copyright infringement claims and DENIES Plaintiff's motion for summary judgment as to contributory and vicarious copyright infringement.

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3. Plaintiff's Motion for Summary Judgment on the Trademark Infringement Claim Is DENIED.

Plaintiff argues that Defendants' sale of refurbished or rebuilt radios bearing Plaintiff's original trademark to LACOPS and Quixote Studios constitutes trademark infringement. In order to establish trademark infringement, Plaintiff must show that it owns a valid trademark and that Defendants created a likelihood of confusion regarding the source of the radios by completely rebuilding radios for third parties, as opposed to a mere repair for an owner's personal use. See *Karl Storz Endoscopy-America, Inc. v. Surgical Technologies, Inc.*, 285 F.3d 848, 853-56 (9th Cir.2002). In *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 129, 67 S.Ct. 1136, 91 L.Ed. 1386 (1947), the United States Supreme Court held that second-hand goods may be sold so long as their used condition is properly disclosed to protect the original manufacturer's goodwill. "Inferiority [of the second-hand good] is immaterial so long as the article is clearly and distinctively sold as repaired or reconditioned rather than as new." *Id.* at 130. However, "[c]ases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words 'used' or 'repaired' were added." *Id.* at 129.

*6 The Ninth Circuit has held that a number of factors must be considered in determining whether the sale of reconditioned, repaired, and refurbished goods bearing the original manufacturer's mark constitutes a complete rebuild in violation of the Lanham Act, including "the nature and extent of the alterations, the nature of the device and how it is designed (whether some components have a shorter useful life than the whole), whether a market has developed for service and spare parts, and, most importantly, whether end users of the product are likely to be misled as to the party responsible for the composition of the product." See *Karl Storz Endoscopy-America, Inc.*, 285 F.3d at 856-57 (internal citation omitted). See also *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 710 (9th Cir.1999) (alterations were so basic and integral that they constituted a new construction and the continued use of the ROLEX brand on these watches constituted trademark infringement).

Here, the parties do not dispute that Plaintiff owns the MOTOROLA trademark, for which it owns federal

trademark registrations issued by the United States Patent & Trademark Office. See FAC, Exs. 14-19. However, the Court finds that genuine issues of material fact exist as to whether Defendants' refurbished radios constitute complete rebuilds and thus, trademark infringement.

Defendants disclosed to LACOPS and Quixote Studios that the radios were used. See Pick Decl. ¶ 12; Rutenberg Decl., Exs. 17-23. Accordingly, Plaintiff must demonstrate that as a matter of law, Defendants' alterations to the radios, such as handwritten serial numbers and mismatched housings and chassis, are so basic and extensive that it would be a misnomer to call them MOTOROLA radios. The Court cannot compare Plaintiff's original radios with Defendants' refurbished radios, as Plaintiff failed to submit such evidence for the Court to consider. Moreover, Plaintiff failed to provide a technical expert's opinion that such changes are basic and extensive with respect to radios. In any event, Defendants' submission of a technical expert's declaration that such alterations are trivial and do not affect the functioning of the radios raises a genuine issue of material fact. See Declaration of Jeff Angus ¶¶ 9-10. Finally, Plaintiff failed to show that no triable issues exist as to the factors highlighted by the Ninth Circuit in determining whether alterations constitute a complete rebuild, including whether there is any post-sale confusion. Accordingly, while Plaintiff certainly presents significant evidence that Defendants' activities violate the Lanham Act, genuine issues of material fact remain, making summary adjudication inappropriate. ^{FN6}

^{FN6} The Court is particularly troubled by Defendants' invoices and estimates to LACOPS and Quixote Studios, which contain the language "custom built" and "custom rebuilt." See Rutenberg Decl., Exs. 17, 23. The Court notes that the invoice to LACOPS uses the language "referred" (sic). See *id.*, Ex. 21.

4. Plaintiff's Request for a Permanent Injunction and Recall Order Is GRANTED IN PART and DENIED IN PART.

Plaintiff requested that the Court enter a permanent injunction enjoining Defendants from copying Plaintiff's copyrighted software programs and from continuing to sell used radios. As the Court GRANTS

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Plaintiff's motion for summary judgment on Plaintiff's copyright claim as to the 12 software programs identified in the FAC, the Court ORDERS Defendants not to engage in any further unauthorized copying of these programs. However, the Court DENIES Plaintiff's request for a permanent injunction and recall order as to Defendants' sale of refurbished radios to LACOPS and Quixote Studios, given the existence of outstanding issues of material fact on Plaintiff's trademark infringement claim.

5. The Court Defers Ruling on Plaintiff's Request for Statutory Damages and Attorneys' Fees.

*7 The Court defers ruling on statutory damages and attorneys' fees at this time. The parties will have an opportunity to fully brief the issues before the Court rules on wilfulness, statutory damages, and attorneys' fees.

B. Plaintiff's Motion for Summary Judgment on Defendants' Counterclaims Is GRANTED IN PART and DENIED IN PART.

1. Defendants' Defamation Counterclaim Is DISMISSED WITH PREJUDICE.

Conceding in their opposition that they lack evidence to prove their defamation counterclaim, Defendants now seek to dismiss the defamation counterclaim. The Court finds that it is appropriate to dismiss the counterclaim with prejudice, given that the action has been pending for over a year and Plaintiff has expended significant resources in defending the counterclaim. Moreover, the Court notes that Plaintiff submitted un rebutted declarations from each individual identified in the SAC as having heard allegedly defamatory statements denying that Plaintiff made any such statements. *See* Declaration of Michael McDermott ¶ 3; Declaration of Bob Moayeri ¶ 3; Declaration of Scott McKenney ¶ 3; and Declaration of Ernest Andujo ¶ 4. Accordingly, the Court ORDERS that Defendants' defamation counterclaim is DISMISSED WITH PREJUDICE.

2. Plaintiff's Motion for Summary Judgment on the Intentional Interference With Contract Counterclaim Is DENIED.

CSI and Pick argue that Plaintiff is liable for inten-

tionally interfering with the Quixote Studios contract by refusing to ship the replacement boards. ^{FN7} The elements of an intentional interference with contract are: (1) existence of a valid contract with a third party; (2) knowledge of the contract and intent to induce its breach; (3) breach of that contract; (4) causation of the breach by the interferer's unjustified or wrongful conduct; and (5) damages. *See Shamblin v. Berge*, 166 Cal.App.3d 118, 122-23, 212 Cal.Rptr. 313 (1985). Plaintiff seeks summary judgment on the counterclaim on the ground that the Quixote Studios contract was an invalid contract based on illegal trademark infringement. Thus, the Court must determine whether Defendants have raised a genuine issue with respect to the validity of the Quixote Studios contract.

^{FN7}. As Plaintiff notes, the contract was between CSI and Quixote Studios, not Pick and Quixote Studios. As Pick is not a shareholder or officer of CSI, he has no standing to assert this counterclaim. *See* Ketchersid Depo. at 42:19-43:10. The intentional interference with contract counterclaim is therefore DISMISSED WITH PREJUDICE as to Pick.

As the Court finds that Plaintiff has failed to show an absence of triable issues as to Plaintiff's trademark infringement claim, the Court also cannot grant summary judgment on the corresponding counterclaim, which relies on a finding that Defendants' Quixote Studios contract was based on trademark infringement. Moreover, Plaintiff has failed to overcome the same issues of fact identified in this Court's November 15, 2004 Order Denying Plaintiff's Motion for Summary Judgment on the intentional interference with contract counterclaim. Accordingly, the Court DENIES Plaintiffs' motion for summary judgment.

3. Plaintiff's Motion for Summary Judgment on the Breach of Contract Counterclaim Is DENIED.

Defendants allege that Plaintiff breached the contract under its Modular Exchange Program by refusing to ship the replacement boards. Plaintiff argues that it was justified in rescinding the contract because Defendants induced the contract by fraudulently representing that the replacement boards would be used to repair radios instead of to build counterfeit radios. Similar to the intentional interference with contract counterclaim, Plaintiff has failed to demonstrate that

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there are no genuine issues of material fact as to Plaintiff's trademark infringement claim. Accordingly, the Court cannot grant summary judgment on the corresponding breach of contract counterclaim, which relies on a finding that Defendants infringed Plaintiff's trademark by selling counterfeit radios.

4. Plaintiff's Motion for Summary Judgment on the Conversion Counterclaim Is GRANTED.

*8 Defendants allege conversion of 279 old radio boards and a check for \$17,000 sent to Plaintiff under the Modular Exchange Program.^{FN8} In order to prove conversion, Defendants must show (1) their right to possession of the property or ownership at the time of the conversion; (2) Plaintiff's conversion by a wrongful act or disposition of property rights; and (3) damages. *See Oakdale Village Group v. Fonq*, Cal.App.4th 539, 543-44 (1996). Additionally, the property at issue must be of some value in order to maintain an action for conversion. *See U.S. Rubber Co. V. Union Bank & Trust Co.*, 194 Cal.App.2d 703, 709, 15 Cal.Rptr. 385 (1961).

FN8. Plaintiff only seeks summary judgment as to the 100 boards related to the Quixote Studios contract and does not seek summary judgment as to the remaining alleged 179 boards sent in by Defendants.

There are no triable issues as to the first element of conversion, as it is undisputed that Quixote Studios, not Defendants, owned 100 boards and sent those boards directly to Plaintiff. *See* Deposition of Mark Markgraf ("Markgraf Depo.") at 27:7-18; Pick Depo. at 187:22-188:9. Moreover, the 100 used boards cannot form the basis for a conversion action as a matter of law, as Quixote Studios admits that the boards had no value. *See* Markgraf Depo. at 20:7-14. With respect to the \$17,000 check sent by Donnelly, Plaintiff relinquished control of the check by moving to deposit the funds with the Court. Accordingly, the Court GRANTS Plaintiff's motion for summary judgment on Defendants' conversion counterclaim as to Quixote Studios' 100 boards and the Donnelly check for \$17,000.

IV. CONCLUSION

Based on the foregoing, Plaintiff's motions for summary judgment are GRANTED IN PART and DE-

NIED IN PART as follows:

1. Plaintiff's motion for summary judgment as to its copyright infringement claim against Pick is GRANTED and Pick is hereby ENJOINED from further unauthorized copying of Plaintiff's copyrighted software as identified in the FAC;
2. Plaintiff's motion for summary judgment as to its contributory and vicarious copyright infringement claims against Ketchersid, CSI, and RDE is DENIED;
3. Plaintiff's motion for summary judgment as to its trademark infringement claim against Defendants is DENIED;
4. Defendants' defamation counterclaim is DISMISSED WITH PREJUDICE;
5. Plaintiff's motion for summary judgment as to Defendants' intentional interference with contract counterclaim is DENIED as to CSI;
6. Defendants' intentional interference with contract counterclaim is DISMISSED WITH PREJUDICE as to Pick;
7. Plaintiff's motion for summary judgment as to Defendants' breach of contract counterclaim is DENIED; and
8. Plaintiff's motion for summary judgment as to Defendants' conversion counterclaim is GRANTED as to Quixote Studios' 100 boards and the Donnelly check for \$17,000.

SO ORDERED.

C.D.Cal.,2005.
Motorola, Inc. v. Pick
Not Reported in F.Supp.2d, 2005 WL 5918849
(C.D.Cal.)

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