

1 Paul A. Tyrell (Bar No. 193798)  
E-mail: paul.tyrell@procopio.com  
2 Sean M. Sullivan (Bar No. 254372)  
E-mail: sean.sullivan@procopio.com  
3 PROCOPIO, CORY, HARGREAVES &  
4 SAVITCH LLP  
5 525 B Street, Suite 2200  
San Diego, CA 92101  
6 Telephone: 619.238.1900  
Facsimile: 619.235.0398  
7 Attorneys for Defendant/Counterclaimant  
8 Storix, Inc., a California corporation

9 UNITED STATES DISTRICT COURT  
10 FOR THE SOUTHERN DISTRICT OF CALIFORNIA

11 ANTHONY JOHNSON, an individual,  
12 Plaintiff,  
13 v.  
14 STORIX, INC., a California corporation,  
15 Defendant.

16 STORIX, INC., a California corporation,  
17 Counterclaimant,  
18 v.  
19 ANTHONY JOHNSON, an individual,  
20 Counterdefendant.  
21

Case No. 14-cv-1873 H (BLM)

MEMORANDUM OF POINTS  
AND AUTHORITIES IN  
SUPPORT OF STORIX, INC.'S  
OPPOSITION TO PLAINTIFF'S  
MOTION FOR SUMMARY  
JUDGMENT

Courtroom: 15A (15th Floor -  
Carter/Keep)

Judge: Hon. Marilyn L. Huff  
Magistrate: Hon. Barbara L. Major  
Complaint Filed: August 8, 2014  
Trial Date: December 8, 2015

Hearing Date: October 30, 2015  
Hearing Time: 10:30 AM

22 Defendant and Counterclaimant, Storix, Inc. ("Storix") respectfully submits  
23 this memorandum of points and authorities in opposition to Plaintiff and  
24 Counterdefendant Anthony Johnson's ("Johnson") motion for summary judgment  
25 (Document 47).  
26  
27  
28

## TABLE OF CONTENTS

1		
2		
3	TABLE OF AUTHORITIES.....	iv
4	I. INTRODUCTION.....	1
5	II. FACTS SHOWING STORIX’S OWNERSHIP OR, ALTERNATIVELY,	
6	RIGHTS AS LICENSEE DEFEAT PLAINTIFF’S MOTION FOR	
7	SUMMARY .....	1
8	A. Johnson’s Claim of Ownership is Barred by the Applicable Statute	
9	of Limitations, 17 U.S.C. § 507(b) .....	2
10	B. Overwhelming Evidence Shows That Johnson Transferred the	
11	Copyright to Storix.....	4
12	1. Johnson Signed a Writing Reflecting a Transfer of “All Assets”	
13	to Storix Upon its Formation .....	4
14	2. Undisputed Evidence Demonstrates Johnson’s Intent and	
15	Understanding with Respect to Transfer of the Copyright.....	6
16	3. Johnson Cites No Credible Contradictory Evidence .....	7
17	C. Storix’s Copyright Ownership by Operation of Law.....	9
18	D. Johnson Is Estopped From Claiming Ownership .....	10
19	E. Storix, at a Minimum, Owns an Irrevocable License, Unlimited in	
20	Time or Scope, Including the Right to Copy, Commercialize, and	
21	Prepare Derivative Works of SBAdmin .....	13
22	1. A License For an Unspecified Duration Is Irrevocable Except	
23	Under the Terms Dictated by 17 U.S.C. § 203.....	14
24	2. Any License to Storix Was Supported by Consideration .....	14
25	3. Storix, Inc. Never Materially Breached Any License .....	17
26	F. Storix’s Current Use of SBA Is Authorized as a Matter of Law .....	18
27	III. JOHNSON’S FAILURE TO PRESENT EVIDENCE OF COPYING	
28	PRECLUDES SUMMARY JUDGMENT.....	18
	A. Johnson Cannot Establish “Substantial Similarity” As He Relies on	
	Incomplete Code Analysis and Suspect Images .....	19
	1. Johnson Presents No Evidence Comparing Source Code From	
	the Registered Work (Version 1.3) to the Allegedly Infringing	
	Work (Version 8.2) .....	20
	2. Johnson’s Expert’s Comparison of Visual Elements of Version	
	1.3 to Version 8.2 is Hopelessly Unreliable, and Possibly the	

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Product of Manufactured Evidence .....	23
IV. THE REGISTRATION IS INVALID AND CARRIES NO PRESUMPTION ..	24
V. CONCLUSION.....	25

## TABLE OF AUTHORITIES

### Page(s)

#### FEDERAL CASES

<i>Airframe Systems, Inc. v. L-3 Communications Corp.</i> 658 F.3d 100 (1st Cir. 2011) .....	20, 21, 22
<i>Asset Mktg. Sys., Inc. v. Gagnon</i> 542 F.3d 748, 756-57 (9th Cir. 2008).....	13, 15
<i>Brown Bag Software v. Symantec Corp.</i> 960 F.2d 1465 (9th Cir. 1992) .....	18, 19
<i>Carson v. Dynegey, Inc.</i> 344 F.3d 446 (5th Cir. 2003) .....	11, 17
<i>Coleman v. ESPN, Inc.</i> 764 F.Supp. 290 (S.D.N.Y. 1991) .....	11
<i>Fair Hous. Council of Riverside Cnty., Inc. v. Riverside Two</i> 249 F.3d 1132 (9th Cir. 2001) .....	2
<i>Fantasy, Inc. v. Fogerty</i> 664 F.Supp. 1345 (N.D. Cal. 1987), reversed on other grounds, 114 S.Ct. 1023 (1994).....	10
<i>Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.</i> 499 U.S. 340 (1991) .....	1
<i>Foad Consulting Group, Inc. v. Azzalino</i> 270 F.3d 821 (9th Cir. 2001) .....	15
<i>Goldman v. Standard Ins. Co.</i> 341 F. 3d 1023 (9th Cir. 2003) .....	22
<i>Hampton v. Paramount Pictures Corporation,</i> 279 F. 2d 100, 104 (9th Cir. 1060) .....	11
<i>Hayden v. Chalfant Press, Inc.</i> 177 F.Supp.303 (S.D. Cal. 1959) aff'd, 281 F.2d 543 (9th Cir. 1960) .....	11

1	<i>Imperial Residential Design, Inc. v. Palms Dev. Group, Inc.</i>	
2	70 F.3d 96 (11th Cir. 1995) .....	5
3	<i>ITOFCA, Inc. v. MegaTrans Logistics, Inc.</i>	
4	322 F.3d 928 (7th Cir. 2003) .....	5
5	<i>Johnson v. Tuff-N-Rumble Mgmt., Inc.</i>	
6	No. CIV.A.99-1374, 2000 WL 1145748 (E.D. La. Aug. 14, 2000) .....	6, 24
7	<i>Jules Jordan Video, Inc. v. 144942 Canada Inc.</i>	
8	617 F. 3d 1146 (9th Cir. 2010) .....	5
9	<i>Keane Dealer Services, Inc. v. Harts</i>	
10	968 F.Supp. 944 (S.D.N.Y. 1997) .....	11
11	<i>Kwan v. Schlein</i>	
12	634 F.3d 224 (2d Cir. 2011) .....	3
13	<i>Lone Ranger Television, Inc. v. Program Radio Corp.</i>	
14	740 F.2d 718 (9th Cir. 1984) .....	10
15	<i>Magnuson v. Video Yesteryear</i>	
16	85 F.3d 1424 (9th Cir. 1996) .....	5
17	<i>May v. Morganelli-Heumann &amp; Assocs.</i>	
18	618 F.2d 1363 (9th Cir. 1980) .....	6
19	<i>Nearstar, Inc. v. Waggoner</i>	
20	Case No. 4:09cv218, 2011 WL 817374 (E.D.Tex March 2, 2011) .....	16, 17
21	<i>Oddo v. Ries</i>	
22	743 F.2d 630 (9th Cir. 1984) .....	13
23	<i>Petrella v. Metro-Goldwyn-Mayer, Inc.</i>	
24	134 S.Ct. 1962 (2014).....	11
25	<i>Provenz v. Miller</i>	
26	102 F. 3d 1478 (9th Cir. 1996) .....	22
27	<i>Radio Television Espanola S.A. v. New World Entm't, Ltd.</i>	
28	183 F.3d 922 (9th Cir. 1999) .....	5
	<i>Rano v. Sipa Press, Inc.</i>	
	987 F.2d 580 (9th Cir. 1993) .....	14

1	<i>Real Estate Data, Inc. v. Sidwell Co.</i>	
2	809 F.2d 366 (7th Cir. 1987) .....	6
3	<i>Relational Design &amp; Technology, Inc. v. Brock</i>	
4	No. 91-2452-EEO, 1993 WL 191323 (D. Kan. May 25, 1993).....	5
5	<i>S.O.S., Inc. v. Payday, Inc.</i>	
6	886 F.2d 1081 (9th Cir. 1989) .....	6
7	<i>Schiller &amp; Schmidt, Inc. v. Nordisco Corp.</i>	
8	969 F.2d 410 (7th Cir. 1992) .....	5
9	<i>Sega Enters. Ltd. v. Accolade, Inc.</i>	
10	977 F.2d 1510 (9th Cir. 1992) .....	20
11	<i>Seven Arts Filmed Entm't Ltd. v. Content Media Corp. PLC</i>	
12	733 F.3d 1251 (9th Cir. 2013) .....	1, 3, 4
13	<i>Shaw v. Lindheim</i>	
14	919 F.2d 1353 (9th Cir. 1990) .....	19
15	<i>Shugrue v. Cont'l Airlines, Inc.</i>	
16	977 F.Supp. 280 (S.D.N.Y. 1997) .....	6
17	<i>Smith v. Jackson</i>	
18	84 F.3d 1213 (9th Cir. 1996) .....	19
19	<i>Sprengel v. Mohr</i>	
20	CV 11-08742-MWF SPX, 2013 WL 645532 (C.D. Cal. Feb. 21,	
21	2013) .....	15, 17
22	<i>Swirsky v. Carey</i>	
23	376 F.3d 841 (9th Cir. 2004) .....	19
24	<i>Syntek Semiconductor Co. v. Microchip Technology</i>	
25	285 F. 3d 857 (9th Cir. 2002) .....	25
26	<i>Taylor Corp. v. Four Seasons Greetings, LLC</i>	
27	403 F.3d 958 (8th Cir. 2005) .....	9
28	<i>Three Boys Music Corp. v. Bolton</i>	
	212 F.3d 477 (9th Cir. 2000) .....	19

1	<i>Tolliver v. McCants</i>	
2	684 F.Supp.2d 343 (S.D.N.Y. 2010) .....	11
3	<i>Transgo, Inc. v. Ajac Transmission Parts Corp.</i>	
4	768 F.2d 1001 (9th Cir. 1985) .....	11
5	<i>U.S. v. King Features Entertainment, Inc.</i>	
6	843 F.2d 394 (9th Cir. 1988) .....	11
7	<i>Worldwide Church of God v. Phila. Church of God, Inc.</i>	
8	227 F.3d 1110 (9th Cir. 2000) .....	13
9	<b>CALIFORNIA CASES</b>	
10	<i>In re Marriage of Worth</i>	
11	195 Cal.App.3d 768 (1987) .....	10
12	<i>Marks v. Minnesota Mining &amp; Mfg. Co.</i>	
13	187 Cal.App.3d 1429 (1986) .....	10
14	<b>FEDERAL STATUTES, REGULATIONS, AND RULES</b>	
15	17 U.S.C.	
16	§ 201(d)(1) .....	9, 10
17	§ 203 .....	14
18	§ 203(a) .....	14
19	§ 203(b)(1) .....	18
20	§ 204 .....	5
21	§ 204(a) .....	4, 6, 9
22	§ 507(b) .....	2, 3, 4
23	1909 Copyright Act § 28 .....	5, 10
24	Fed.R.Evid. 801/802 .....	9
25	<b>TREATISES AND OTHER AUTHORITIES</b>	
26	4 M. Nimmer & D. Nimmer, Nimmer on Copyright	
27	§13.03[C] (2006) .....	19
28	U.S. Copyright Office, Compendium of U.S. Copyright Office Practices	
	§§ 324.04 & 108.07 (2d Ed. 1984) .....	25

## **I. INTRODUCTION**

Simply stated, a plaintiff alleging copyright infringement must establish two essential elements: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.<sup>1</sup> Plaintiff Anthony Johnson's ("Johnson") motion must be denied because he has not and cannot establish *either* essential element.

First, Plaintiff Johnson cannot prove ownership. His claim of ownership is barred by the applicable statute of limitations. Moreover, the undisputed facts detailed in Storix's pending motion for summary judgment (Doc. 50) prove that Storix, not Johnson, owns the copyright and that he is barred from claiming otherwise. Those same facts would establish, alternatively, the grant of an unlimited irrevocable license.

Second, Johnson's motion fails to establish copying of the copyrighted software code (SBAdmin version 1.3) on which this action is based. Johnson relies upon the written report of his software expert, Dr. George Edwards to support his copying argument; however, Edwards' report does not even purport to compare the code of version 1.3 to the allegedly infringing code (SBAdmin version 8.2). Moreover, during his deposition taken after the pending motions were filed, Edwards reluctantly testified that in order to perform a code comparison as between version 1.3 and 8.2, it would be necessary to perform an analysis involving the use of third party software analysis tools as well as data that was not part of his report.<sup>2</sup> Plaintiff's failure of proof with respect to alleged copying provides a second and independent basis for denying his motion.

For any or all of these reasons, Johnson's motion for summary judgment should be denied and the court should, instead, grant Storix's motion for summary judgment.

## **II. FACTS SHOWING STORIX'S OWNERSHIP OR, ALTERNATIVELY, RIGHTS AS LICENSEE DEFEAT PLAINTIFF'S MOTION FOR SUMMARY**

Copyright ownership is a central issue in this case, yet Johnson's motion glosses

<sup>1</sup> *Seven Arts Filmed Entm't Ltd. v. Content Media Corp. PLC*, 733 F.3d 1251, 1254 (9th Cir. 2013) (quot. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991)).

<sup>2</sup> As explained below, Edwards' deposition testimony revealed troubling information concerning his presentation of inaccurate data and seemingly doctored evidence.



over that issue with little discussion or analysis. In contrast, ownership is the primary focus of Storix's pending motion for summary judgment (Doc. 50), which sets forth a veritable mountain of undisputed facts and evidence proving that Storix owns the copyright at issue, that Johnson is barred from claiming ownership or, alternatively, that Storix has an unlimited irrevocable license. Because the facts and evidence set forth in Storix's moving papers clearly require denial of Johnson's motion, the court is asked to consider that previously-submitted facts and evidence in ruling on Johnson's motion.<sup>3</sup> Rather than repeat the entirety of its arguments and evidence concerning ownership and license issues from its moving papers herein, certain of the critical and dispositive issues are summarized below.<sup>4</sup>

**A. JOHNSON'S CLAIM OF OWNERSHIP IS BARRED BY THE APPLICABLE STATUTE OF LIMITATIONS, 17 U.S.C. § 507(b)**

Johnson concedes that to establish infringement he must prove that he is the owner of the asserted rights to the work at issue. He contends that he authored the "Original Work" prior to Storix's formation in 2003 and that all subsequent versions are "derivative works" which he claims to own. (Pltf. Motion, p. 11). He further denies that a transfer of rights occurred. (*Id.*, pp. 15-19). While his ownership claim lacks merit, taking it at face value leads to the inevitable conclusion that Johnson's infringement claims are barred by the applicable statute of limitation.

All Copyright Act actions must be brought "within three years after the claim accrued." 17 U.S.C. § 507(b). Where, as here, "the gravamen of a copyright infringement suit is ownership, and a freestanding ownership claim would be time-barred, any infringement claims are also barred." *Seven Arts Filmed Entm't Ltd. v.*

<sup>3</sup> See *Fair Hous. Council of Riverside Cnty., Inc. v. Riverside Two*, 249 F.3d 1132, 1135 (9th Cir. 2001) ("[W]e agree with Plaintiffs that the district court was required to review the evidence properly submitted in support of their motion to determine whether it presented a disputed issue of material fact precluding summary judgment in favor of Defendants.")

<sup>4</sup> For avoidance of doubt and to ensure completeness, Storix incorporates the arguments, facts and evidence submitted in support of its motion herein by this reference. For continuity, Storix has continued the numbering from its motion with the exhibits cited in support of this opposition.

1 *Content Media Corp. PLC*, 733 F.3d 1251, 1255 (9th Cir. 2013) (“*Seven Arts*”).  
 2 “[A]llowing infringement claims to establish ownership where a freestanding ownership  
 3 claim would be time-barred would permit plaintiffs to skirt the statute of limitations for  
 4 ownership claims and lead to results that are ‘potentially bizarre.’” *Id.*

5 In *Kwan v. Schlein*, 634 F.3d 224, 227 (2d Cir. 2011), a case cited in *Seven Arts*,  
 6 an alleged co-author alleged infringement against a book publisher several years after  
 7 first publication. Given the undisputed origin of the book, that case did “not involve the  
 8 nature, extent or scope, of copying, and therefore, ownership form[ed] the backbone of  
 9 the ‘infringement’ claim at issue.” *Id.* at 229. The court noted that “[a]n ownership  
 10 claim accrues only once, when ‘a reasonably diligent plaintiff would have been put on  
 11 inquiry as to the existence of a right.’” *Id.* at 228. The plaintiff knew of the book’s  
 12 publication for several years, and that she was not listed as an author, so her claim  
 13 accrued when the first edition published, over three years prior to filing suit, and so her  
 14 claims were time-barred. *Id.* at 229-230.

15 This case falls squarely within the *Seven Arts/Kwan* framework since ownership  
 16 is the gravamen of the action. Johnson cannot escape the undisputed facts that  
 17 continually since 2003, Storix has made clear its claimed ownership of the SBAdmin  
 18 copyright, stating: “Title to our copyrights, patents, and any other intellectual property  
 19 rights in the Code and Storix Product(s) documentation remain with us.” (UF<sup>5</sup> 26). And,  
 20 in 2004: “**STORIX claims and reserves to itself all right in the Software** and any  
 21 associated documentation and all benefits afforded **under U.S. copyright law**, all  
 22 international copyright conventions, and U.S. and international intellectual property  
 23 law.” (UF 30 (Bold added)).

24 Johnson cannot argue ignorance of Storix’s ownership claim. *See Seven Arts*, at

25  
 26 <sup>5</sup> For the Court’s convenience, and to avoid redundant, voluminous filings, wherever  
 27 applicable Storix will refer to the Separate Statement of Undisputed Facts in Support of its  
 28 Motion for Summary Judgment, or in the Alternative, Motion for Partial Summary Judgment  
 (“UF”; Document 50-2), and the Exhibits cited therein. Storix incorporates by reference its  
 Motion for Summary Judgment and supporting papers.

1 1257 (“Of particular note, Hoffman, now Seven Arts’s CEO and counsel ... personally  
 2 signed and negotiated those contracts and agreements with Paramount. Seven Arts  
 3 cannot claim ignorance about Paramount’s interest in, and distribution of, the pictures  
 4 during the statutory period.”). While Johnson argues that “third-party service  
 5 agreements...[do not] clearly evince the intent of Johnson to transfer copyright,” (Pltf.  
 6 Motion at 17), they *do* evince that he *actually* knew of Storix’s claimed ownership as  
 7 early as 2003, causing his ownership and infringement claims to have accrued over 10  
 8 years before he filed suit. Accordingly, his claims are barred by 17 U.S.C. § 507(b).

9 **B. OVERWHELMING EVIDENCE SHOWS THAT JOHNSON TRANSFERRED THE**  
 10 **COPYRIGHT TO STORIX**

11 The undisputed facts contradict Johnson’s claim that “[t]here is no writing signed  
 12 by Johnson that identifies a transfer of copyright ownership.” (Pltf. Motion at 3). In  
 13 fact, Johnson’s contention that he never transferred his copyright interest in SBAdmin  
 14 to Storix is contradicted by years’ worth of his own statements and actions.

15 **1. Johnson Signed a Writing Reflecting a Transfer of “All Assets”**  
**to Storix Upon its Formation**

16 Johnson transferred “all assets” of the sole proprietorship business to Storix upon  
 17 its incorporation and memorialized the asset transfer in the signed 2003 Annual Report,  
 18 stating: “*All assets from Storix Software were transferred to Storix Inc., as of its*  
 19 *incorporation as of February 24, 2003.*” (UF 32). He further confirmed Storix’s  
 20 “acquisition” of the sole proprietorship in the 2004 Annual Report. (UF 34). These  
 21 Annual Reports alone are sufficient to hold as a matter of law that a transfer to Storix  
 22 occurred. Johnson never “carved out” or retained any copyright interest in SBAdmin.

23 All that is required to establish the transfer of copyright ownership is “a note or  
 24 memorandum of the transfer...in writing and signed by the owner of the rights  
 25 conveyed or such owner’s duly authorized agent.” 17 U.S.C. § 204(a). Such a writing  
 26 does not require any “magic words.” *Radio Television Espanola S.A. v. New World*  
 27 *Entm’t, Ltd.*, 183 F.3d 922, 927 (9th Cir. 1999). “A simple written note or  
 28 memorandum of transfer” signed by the initial author is sufficient. *Jules Jordan Video*,

1 *Inc. v. 144942 Canada Inc.*, 617 F. 3d 1146, 1156 (9th Cir. 2010).

2 The timing of the writing is not critical, as “an earlier oral assignment can be  
3 confirmed later in a writing.” *Id.* at 1156; *see also Magnuson v. Video Yesteryear*, 85  
4 F.3d 1424, 1429 (9th Cir. 1996) (Noting “the conveyance is between John Magnuson as  
5 CEO of Columbus [a suspended corporation], and John Magnuson as owner of John  
6 Magnuson Associates” and holding “that the memorandum of conveyance satisfied the  
7 writing requirement of the 1909 Copyright Act, even though it was not executed at the  
8 time of the transfer.” (Brackets added)); *Imperial Residential Design, Inc. v. Palms Dev.*  
9 *Group, Inc.*, 70 F.3d 96, 99 (11th Cir. 1995) (“a copyright owner’s later execution of a  
10 writing which confirms an earlier oral agreement validates the transfer *ab initio*.”).

11 The word “copyright” need not be used to satisfy section 204, so long as the  
12 writing reflects a transfer of assets broad enough to include a copyright. In *Schiller &*  
13 *Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410 (7th Cir. 1992), the court held that a  
14 writing which did not use the word “copyright,” but indicated that the seller had sold all  
15 assets of the business, included tangible and intangible assets alike.

16 “Although the agreement does not mention the word ‘copyright,’ its wording  
17 leaves little doubt that Bertel sold all the assets of Spotline Studios, tangible and  
18 intangible alike. If Bertel retained the copyright on the 18 photos in issue, Ojenus  
19 could not have made positives from the negatives without Bertel’s permission,  
20 while Bertel could not have made positives either because he had given up the  
negatives. An agreement that by dividing ownership in this way created such a  
stand-off would be inefficient....”

21 *Id.* at 413. *See ITOFCA, Inc. v. MegaTrans Logistics, Inc.*, 322 F.3d 928, 931 (7th Cir.  
22 2003) (Noting that a writing can satisfy section 204 by using “terminology such as ‘all  
23 assets’ that clearly includes copyrights.”). *See also Relational Design & Technology,*  
24 *Inc. v. Brock*, No. 91-2452-EEO, 1993 WL 191323, at \*6 (D. Kan. May 25, 1993)  
25 (transfer of “all rights to the completed program with no licensing or royalties fees due”  
26 included software copyright); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir.  
27 1989) (holding that in “the context of the parties’ entire agreement,” the phrase “all  
28 rights of ownership” “plainly encompasses not only copyright ownership, but also

ownership of any copies of the software”); *Shugrue v. Cont’l Airlines, Inc.*, 977 F.Supp. 280, 285 (S.D.N.Y. 1997) (copyright conveyed by agreement transferring “‘all right, title and interest’ to ‘[a]ll of [its] computer programs and software,’” where no “exception was carved out for copyrights; no rights, titles or interests were retained.”).

## 2. **Undisputed Evidence Demonstrates Johnson’s Intent and Understanding with Respect to Transfer of the Copyright**

Johnson now argues that “it is not reasonable to assume that [the transfer of ‘all assets’] included Johnson’s other intellectual property assets either, i.e., his registered copyright.” (Ptlf. Mot. at 17). That assertion is undermined by his own words and acts.

Where a “notation is deemed ambiguous as to the copyrights transferred, the Court may consider extrinsic or parol evidence.” *Johnson v. Tuff-N-Rumble Mgmt., Inc.*, No. CIV.A.99-1374, 2000 WL 1145748, at \*6 (E.D. La. Aug. 14, 2000), citing *See Real Estate Data, Inc. v. Sidwell Co.*, 809 F.2d 366, 376 (7th Cir. 1987) (parol evidence admitted to show parties’ intent as to copyright ownership); *May v. Morganelli-Heumann & Assocs.*, 618 F.2d 1363, 1369 (9th Cir. 1980); *Shugrue v. Continental Airlines, Inc.*, 977 F.Supp. at 286 (extrinsic evidence proper under § 204(a)).

After the 2003 transfer of the business and its assets to Storix, overwhelming evidence, including Johnson’s own words, conduct, and *signed writings*, confirms that the transfer included the copyrights to SBAdmin that were integral to the business. As described in more detail in Storix’s Motion and Separate Statement (Doc. 50):

- Starting in 2003, the SBAdmin “Copyright” file, “splash” screens, clickwrap license, and user guides and other documentation were all changed to identify “Storix, Inc.” as the copyright owner. (UF 9, 44-48).
- The copyright notices identifying Storix, Inc. as the copyright owner began to appear on and within SBAdmin, including changes by *Johnson himself*, such as: “Copyright © 2003 Storix, Inc.” and statement: “This source code is the confidential property of Storix, Inc. and may not be used, copied or distributed without the written permission of Storix.” (UF 49-56).
- Johnson repeatedly signed documents stating Storix owned the copyright. (UF 26-30, 34, 40).
- Johnson admitted that on more than one occasion he expressed to others that



1 Storix owned the copyright to SBAdmin. (UF 24).

- 2 • Johnson told attorneys that Storix owned the copyright to its product. (UF 36-38).
- 3 • Johnson told employees to name Storix, Inc. as copyright owner. (UF 41-43, 29).
- 4 • When pitching the company to potential acquirers, Johnson touted the benefits of
- 5 owning the software as part and parcel to the sale of the company. (UF 61-67).
- 6 • Johnson testified that Storix was intended solely as an extension and continuation
- 7 of the sole proprietorship business, and to operate seamlessly. Consistent with a
- 8 full transfer of all assets and business to Storix, the sole proprietorship
- 9 immediately ceased doing business. (UF 13-14).
- 10 • Johnson never mentioned any retention of rights, and placed no restrictions on
- 11 Storix's ability to use, copy, modify, distribute or license any version of
- 12 SBAdmin software. (UF 77-78, 82-83, ).

11 Clearly Johnson intended and understood that Storix would and did own the

12 copyright and that the transfer of "all assets" included ownership of the copyright.

### 13 **3. Johnson Cites No Credible Contradictory Evidence**

14 Johnson glosses over the voluminous record contradicting his contention that he

15 always "intended" to retain copyright ownership. Without analysis, he flatly states

16 "none of these documents clearly evince the intent of Johnson to transfer copyright."

17 (Pltf. Mot. at 17). His bald contention is contradicted by the overwhelming weight of

18 the evidence. Further, neither of the two documents offered by Johnson to support his

19 contention is capable of satisfying his burden of proving copyright ownership.

#### 20 **a. The 2006 Trademark Assignment Does Not Prove Johnson's Copyright Ownership**

21 Johnson first argues that a 2006 *trademark* assignment for "Storix Software"

22 reflects his 2003 "intent" to withhold "intellectual property" from the transfer of "all

23 assets." That is simply not true, particularly when viewed in context. The assignment

24 was executed and recorded in the course of Storix's registration of the mark "Storix."

25 The USPTO had rejected the application based on the preexisting "Storix Software"

26 registration, which remained listed in Johnson's name. Storix recorded the assignment

27 to prove its unified trademark rights – not to change them. (UF 16). Given the

28 continuity between the sole proprietorship and Storix, Inc., it is also clear that the

1 goodwill associated with the name had been transferred at formation in 2003, yet the  
 2 2006 trademark assignment refers to the assignment of goodwill, as well. Viewed in  
 3 this context, the trademark assignment does not contradict, but actually confirms that  
 4 the trademark rights had transferred with “all assets” upon Storix’s formation.

5 In any event, the trademark assignment certainly does not prove Johnson’s intent  
 6 to retain copyright ownership, particularly given his failure to even recall the document<sup>6</sup>  
 7 and in light of the numerous clear contrary statements he made over many years.

8 **b. The 2012 Estate Planning Document is Inadmissible and**  
 9 **Inconsistent With Other Similar Documents that Predate It.**

10 Johnson next relies on Plaintiff’s Exhibit 11, an unauthenticated, late-produced  
 11 estate planning document that purports to be from 2012. (Pltf. Mot. 3.) He offers it to  
 12 show that he “devis[ed] the copyright in his estate plan prepared long before this  
 13 controversy existed.” (*Id.*). Even if it was genuine and admissible, that document is  
 14 insufficient to support Johnson’s claim of copyright ownership.

15 The Court should not admit the 2012 estate planning document. In response to  
 16 Storix’s inspection demands seeking “any estate plans...that address any intellectual  
 17 property rights to any software... .” (*See* Ex. 95, Nos. 93-95). Johnson responded that,  
 18 despite a “diligent and reasonable search” he “was unable to locate any such documents  
 19 within his possession, custody, or control and does not believe that any such documents  
 20 exist.” (*Id.*). Fact discovery closed on June 5, 2015, yet without explanation, Johnson  
 21 produced 8,000 new pages after that date, hidden amongst which were three (3) pages  
 22 comprising non-notarized, non-witnessed documents purporting to list items Johnson  
 23 gifted to a trust. The version Johnson cites, allegedly from 2012, lists: “Intellectual and  
 24 other property related to the business of Storix software.” (Eastman Decl. Ex. 11).<sup>7</sup>  
 25 Absent any authentication or foundation, and because Plaintiff previously disclaimed its

26 <sup>6</sup> Significantly, Johnson testified that he did not recall the assignment document at all, much  
 27 less its significance and even denied assigning associated goodwill to Storix, as stated on the  
 28 face of that same document. (*See* Ex. 93, Johnson Dep. at pp. 115:6-22; 116:2-117:12).

<sup>7</sup> This incomplete document lacks foundation and is inadmissible hearsay. Fed.R.Evid.  
 801/082 (hearsay), 901 (authentication and foundation), and 106 (completeness).

1 existence, Plaintiff's Exhibit 11 is inadmissible.

2 Beyond its suspicious provenance and inadmissibility, Exhibit 11 is contradicted  
3 by other earlier documents recently accessed by Storix. For example, a nearly identical  
4 document dated one month before Exhibit 11 did not include any reference to  
5 "intellectual and other property." (Ex. 101). In 2009, Johnson sent an email with an  
6 will file attached in which he devised his shares of Storix, Inc. to several people, but  
7 made no reference to any "intellectual property" of Storix. (Exs. 96-99). Given the  
8 above, Johnson's fiction that he always cherished the "intellectual property" rights as an  
9 individual asset to be retained and devised in his estate plan simply doesn't stand up.

10 Finally, Johnson even mischaracterizes the content of his Exhibit 11. He asserts  
11 he "devised the copyright..." (Pltf. Mot. at 3). Nowhere does it use the word  
12 "copyright," which is interesting considering that Johnson contends his 2003  
13 assignment of "all assets" exclude the copyright, but the words "intellectual and other  
14 property" in 2012 effectively devise it.

15 In light of the above, Johnson's contention that he intended to retain ownership of  
16 the copyright when he assigned "all assets" of the sole proprietorship business to Storix,  
17 Inc. is effectively unsubstantiated, as his weak evidence does not withstand scrutiny  
18 when compared with the significant credible, authenticated, and undisputed evidence  
19 supporting Storix's motion.

#### 20 **C. STORIX'S COPYRIGHT OWNERSHIP BY OPERATION OF LAW**

21 Copyright ownership may be transferred by operation of law. 17 U.S.C. §  
22 201(d)(1). The writing requirement does not apply to such transfers. *Id.*, § 204(a). The  
23 Copyright Act does not define what constitutes such a transfer. *Taylor Corp. v. Four*  
24 *Seasons Greetings, LLC*, 403 F.3d 958, 963 (8th Cir. 2005). However, copyright  
25 ownership can be transferred by operation of state law. *See In re Marriage of Worth*,  
26 195 Cal.App.3d 768, 774 (1987). In *Fantasy, Inc. v. Fogerty*, 664 F.Supp. 1345, 1356  
27 (N.D. Cal. 1987), *reversed on other grounds*, 114 S.Ct. 1023 (1994), the district court  
28 held that, under section 28 of the 1909 Copyright Act, a copyright transferred by



operation of state law when assets of a dissolving corporation transferred to its shareholders. *See Lone Ranger Television, Inc. v. Program Radio Corp.*, 740 F.2d 718, 719, 721 (9th Cir. 1984)(finding transfer of copyright by operation of law upon corporate merger). In California, a *de facto* merger occurs where an asset sale actually achieves the same practical result as a merger. *Marks v. Minnesota Mining & Mfg. Co.*, 187 Cal.App.3d 1429, 1436 (1986).

Storix's acquisition of all of the sole proprietorship's assets and the seamless continuation of its business can also be characterized as a business acquisition or a *de facto* merger, particularly in light of Johnson's own use of the word "acquisition" to describe the transition of the business to Storix. Once Storix was incorporated, the sole proprietorship ceased doing business, as Storix was intended to supplant it in a seamless transition. (UF 13-14). Storix continued to sell the same SBAdmin Ver. 4.1 that the sole proprietorship business had sold, and when Storix released its next version it continued the naming convention, releasing Ver. 4.2. (UF 18). Johnson drew no distinction between the sole proprietorship and the corporation, as business operations were identical, and Storix acquired all of the sole proprietorship's assets. (UF 14, 32). Indeed, in a complaint filed in San Diego Superior Court while this motion was pending, Johnson expressly alleges as follows: "Storix Software was formed by Johnson as a sole proprietorship in 1998. In 2003, Johnson converted Storix Software to Storix, Inc." (Ex. 102, ¶ 12.)

In light of his intent for the corporation to effectively acquire and succeed the sole proprietorship's business, a *de facto* merger occurred, and copyright ownership transferred to Storix by operation of law under 17 U.S.C. § 201(d)(1).

#### **D. JOHNSON IS ESTOPPED FROM CLAIMING OWNERSHIP**

Separately, Johnson's motion should be denied (and Storix's granted) because he is estopped by his own words and deeds over more than a ten year period from asserting ownership of the copyright. Principles of estoppel apply to copyright infringement actions. *Tolliver v. McCants*, 684 F.Supp.2d 343, 347 (S.D.N.Y. 2010)(citing 4 Melville

1 B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.07 (2003)). The Supreme  
 2 Court recognized that where the “alleged infringer detrimentally relies on the copyright  
 3 owner’s deception, the doctrine of estoppel may bar the copyright owner’s claims  
 4 completely, eliminating all potential remedies.” *Petrella v. Metro-Goldwyn-Mayer, Inc.*,  
 5 134 S.Ct. 1962, 1977 (2014). The Ninth Circuit lists four elements for estoppel:

- 6 (1) the plaintiff must know the facts of the defendant’s infringing conduct;
- 7 (2) the plaintiff must intend that its conduct shall be acted on or must so act that  
 the defendant has a right to believe that it is so intended;
- 8 (3) the defendant must be ignorant of the true facts; and
- 9 (4) the defendant must rely on the plaintiff’s conduct to its injury.

10 *U.S. v. King Features Entertainment, Inc.*, 843 F.2d 394, 399 (9th Cir. 1988). The  
 11 causation requirement is met if the copyright owner expressly consents or makes a  
 12 statement that defendant’s acts are not regarded as infringing or objectionable. *Coleman*  
 13 *v. ESPN, Inc.*, 764 F.Supp. 290, 296 (S.D.N.Y. 1991). An employee copyright owner  
 14 consenting to his employer’s use of a work is estopped to complain after termination as  
 15 to the employer’s continued use. *Carson v. Dynegy, Inc.*, 344 F.3d 446, 454-455 & n.9  
 16 (5th Cir. 2003). “Acquiescence, with full knowledge in the publication of a vast number  
 17 of copies without copyright notice, may work a forfeiture.” *Transgo, Inc. v. Ajac*  
 18 *Transmission Parts Corp.*, 768 F.2d 1001, 1019 (9th Cir. 1985). Silence and inaction,  
 19 particularly if prolonged, may result in estoppel. *Id.* at 453; *Hampton v. Paramount*  
 20 *Pictures Corporation*, 279 F. 2d 100, 104 (9th Cir. 1060). Estoppel defeats a cause of  
 21 action entirely, for future and past conduct. *Keane Dealer Services, Inc. v. Harts*, 968  
 22 F.Supp. 944, 948 (S.D.N.Y. 1997); *Hayden v. Chalfant Press, Inc.*, 177 F.Supp.303,  
 23 307 (S.D. Cal. 1959) aff’d, 281 F.2d 543 (9th Cir. 1960) (“estoppel destroys the very  
 24 rights which it is sought to assert.”)

25 Johnson appears to only challenge Storix’s reliance (Pltf. Mot. at 23), effectively  
 26 conceding the balance of the estoppel test. Johnson argues that Storix “cannot establish  
 27 detrimental reliance upon the implied license in the Original Work that Johnson later  
 28 revoked.” (*Id.*) Yet he ignores the full scope of his actions leading to the defense.

1 Storix reasonably believed it *actually owned* all rights to SBAdmin, which belief  
2 was the product of Johnson's own repeated affirmative acts. Johnson routinely  
3 represented that Storix owned all right and title to SBAdmin, including any copyrights,  
4 and he knew that each and every distributed copy of SBAdmin after the company's  
5 formation bore the notice "Copyright © Storix, Inc." in the code, product literature,  
6 splash screens, and clickwrap licenses. (UF 44-60). He negotiated and signed many  
7 agreements that reaffirmed Storix's status as the owner, (UF 26-30, 35, 39-40), and  
8 repeatedly told customers, employees, and company counsel that Storix owned the  
9 copyright. (*See*, e.g., UF 41-43, 36-38).

10 The detrimental reliance is clear. Johnson *admitted* his new claims would surprise  
11 Storix. (UF 86). Storix relied on Johnson's words and deeds over the course of 12 years  
12 to continue to market and sell SBAdmin bearing the "Copyright © Storix, Inc."  
13 designation, to enter into contracts and to hold itself out to the world as the owner of the  
14 copyright to SBAdmin. Moreover, Storix, through Johnson, gave instructions to  
15 attorneys and allowed documents to be filed in legal proceedings in which Storix was  
16 identified as the copyright owner. (UF 36-38). Further, contrary to Johnson's contrived  
17 characterization of Storix as a shell entity not interested in its sole product, the fact is  
18 that Storix devoted years and countless man hours to continuing to develop and improve  
19 SBAdmin based on its presumption that it owned all rights to do so. In his recently-filed  
20 derivative action, Johnson makes it clear that Storix was no shell or "mere" sales  
21 vehicle, alleging that (at least through 2011): "Storix was focused on maintaining its  
22 state of the art SBAdmin software with periodic version updates and maintenance, and  
23 significant resources were dedicated to addition of new enhancements, features, systems  
24 and device support, usability, and expandability." (Ex. 102, ¶ 13.)

25 There is no basis in fact or law to support Johnson's argument that the 2011  
26 Compensatory Stock Agreement somehow precludes the estoppel defense. (Pltf. Mot. at  
27 24). The undisputed evidence shows that the value of those shares was tied to Acronis'  
28 offer to purchase the company along with the rights to its technology. (UF 73). The only

1 reasonably conclusion is that the share value was premised on the company's ownership  
2 of all rights necessary to conducts its business.

3 Based on his own conduct, Johnson is estopped from claiming ownership.

4 **E. STORIX, AT A MINIMUM, OWNS AN IRREVOCABLE LICENSE, UNLIMITED**  
5 **IN TIME OR SCOPE, INCLUDING THE RIGHT TO COPY, COMMERCIALIZE,**  
6 **AND PREPARE DERIVATIVE WORKS OF SBADMIN**

7 Even if Johnson could establish copyright ownership, Storix clearly had, at least,  
8 a license and any such license was unlimited in time or scope and is irrevocable.<sup>8</sup>

9 "The existence of a license creates an affirmative defense to a claim of copyright  
10 infringement." *Worldwide Church of God v. Phila. Church of God, Inc.*, 227 F.3d 1110,  
11 1114 (9th Cir. 2000). There is no need for the Court to assess whether a license existed,  
12 since Johnson testified that it did. Johnson's attempt in his motion to waffle on the issue  
13 is unavailing. Whether he admits it or not, the arrangement he describes is, at the very  
14 least, a license, and courts have found that allegations and denials of a license defy logic  
15 in cases like this. *See, e.g., Oddo v. Ries*, 743 F.2d 630 (9th Cir. 1984) ("We conclude  
16 that Oddo, by preparing a manuscript based on his preexisting articles as part of his  
17 partnership duties, impliedly gave the partnership a license to use the articles insofar as  
18 they were incorporated in the manuscript, for without such a license, Oddo's  
19 contribution to the partnership venture would have been of minimal value."); *Asset*  
20 *Mktg. Sys., Inc. v. Gagnon*, 542 F.3d 748, 756-57 (9th Cir. 2008) ("it defies logic that  
21 AMS would have paid Gagnon for his programming services if AMS could not have  
22 used the programs without further payment pursuant to a separate licensing arrangement  
23 that was never mentioned in the TSA, and never otherwise requested at the time.")

24 Johnson admits that he allowed Storix to use, market, sell, and license the  
25 software and any derivatives or improvements thereto. (UF 75). Storix's right to sell,  
26 license, and develop SBAdmin was without any restrictions. (UF 77-78). Johnson

27 <sup>8</sup> Storix first and foremost owns the copyright, and in no way concedes that discussing a  
28 license supports Johnson's ownership claim. Rather, even *if* Johnson could establish his  
copyright ownership, Storix's irrevocable license would defeat his infringement claim.

intended for Storix to further develop and distribute SBAdmin, and simply continue the sole proprietorship's business. (UF 79). He drew no distinction between the two businesses (UF 14), and he wanted customers to know that *Storix had the right to license the software to them.* (UF 60). All the product documentation referred to Storix's ability to license SBAdmin. (UF 48). He admitted that Storix could not succeed without rights to the software. (Ex. 96). Even *if* Johnson owned the SBAdmin copyright, Storix owns an unrestricted license to copy, develop, distribute and commercialized SBAdmin.

**1. A License For an Unspecified Duration Is Irrevocable Except Under the Terms Dictated by 17 U.S.C. § 203**

In the Ninth Circuit, an implied, nonexclusive license for an unspecified duration is subject to 17 U.S.C. § 203(a). *Rano v. Sipa Press, Inc.*, 987 F.2d 580, 585 (9th Cir. 1993), as amended (Mar. 24, 1993). Section 203 provides that,

“licensing agreements are not terminable at will from the moment of creation; instead, they are terminable at the will of the author only during a five year period beginning at the end of thirty-five years from the date of execution of the license unless they explicitly specify an earlier termination date.”

*Id.* at 585. The plaintiff in *Rano* argued, like Johnson, that he could unilaterally terminate any license. The Ninth Circuit disagreed:

“Rano asserts that Section 203 is inapplicable because the licensing agreement was oral and thus not executed. We disagree. Not only was the agreement evidenced by several letters signed by both parties, but it also was successfully operative for approximately eight years. Thus, the agreement was executed and is within the purview of Section 203 and is not terminable at will.” *Id.* at 585-586

Here, any attempted license revocation would have been ineffective. Johnson never put any restrictions or end date on Storix's ability to sell licenses to SBAdmin or develop it. Thus, under Ninth Circuit precedent and 17 U.S.C. § 203, even if Johnson had the right to terminate, his opportunity to do so will not arise for 20-plus years.

**2. Any License to Storix Was Supported by Consideration**

A license, even if implied, is irrevocable if supported by consideration. *Asset Marketing Systems, Inc. v. Gagnon*, 542 F.3d 748, 757 (9th Cir. 2008)(“If an implied

license accompanied by consideration were revocable at will, the contract would be illusory.”) Nonexclusive implied licenses supported by consideration are irrevocable even if the parties have a written contract defining other terms of their relationship. *Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821, 828 (9th Cir. 2001).

In *Sprengel v. Mohr*, CV 11-08742-MWF SPX, 2013 WL 645532 at \*1 (C.D. Cal. Feb. 21, 2013), the court found Purposeful Press LLC, previously formed by the parties in the suit, had an implied, nonexclusive license to exploit and create derivatives of Sprengel’s original manuscript, which was irrevocable since it was supported by consideration. Otherwise, “the structure and point of Purposeful Press would have been rendered meaningless,” and “the enterprise would be of minimal value without the grant of the license.” *Id.* “Whether exchanged specifically for the unaccounted-for promise of services in excess of \$5,000 or as part of the gestalt of Purposeful Press’ formation, Sprengel received valuable consideration for the grant of the implied license.” *Id.*

Here, Storix presented evidence to establish Johnson’s receipt of consideration. Johnson received 100% of the outstanding shares in Storix upon its formation, for which he paid only \$1,000. (UF 10). Storix was immediately worth much more. *Even if only hard assets are considered*, the sole proprietorship was worth at least \$5,000. (UF 11). Of course, the value of Storix , an ongoing business that continued the revenue-producing business of the sole proprietorship, far exceeded even that amount. In un rebutted testimony, Storix’s expert on financial issues, Brian Bergmark, noted that:

“Storix Software on or around February 24, 2003 had value in excess of its net operating assets and was likely worth multiple hundreds of thousands of dollars.” (Ex. 90 at 7).

“Given that the cash that was transferred from Storix Software to Storix, Inc. was subject to an offsetting note owed to Mr. Johnson, the range of value identified above for the Storix Software operations is also a reasonable indication of the value of the Storix, Inc. stock at the date of the incorporation.” (*Id.* at 7).

Further, Mr. Bergmark stated that:

“While in operation, Storix Software’s primary source of revenues were generated from the Software and the use of that software was necessary for the continued operations of the business that was transferred to Storix, Inc.”



1 “Mr. Johnson received consideration for the transfer of these assets by receiving  
2 100% of the issued shares in the corporation and the benefits associated with  
3 those shares, including control of the operations and corporate  
dividends/distributions.” (Ex. 89 at 6)

4 Plaintiff’s financial expert Robert Taylor testified that he had made no effort to  
5 value the business of Storix, Inc. at formation or to value the sole proprietorship  
6 business that preceded it. (Ex. 103, p. 82:16-24; 87:14-88:8; 99:11-24). Thus, Mr.  
7 Bergmark’s opinions as to value are unrebutted.

8 Even without expert testimony, the consideration received by Johnson is clear.  
9 Johnson received 100% of the shares in Storix upon its formation, a salary, and over the  
10 years substantial shareholder distributions. (UF 10, 93). Clearly Johnson knew Storix’s  
11 revenues supporting such came from SBAdmin sales. Just as Johnson cannot plausibly  
12 deny that he, at least granted a license, he cannot deny that he received valuable  
13 consideration—whether the receipt of valuable shares in an ongoing business, salary,  
14 distributions, or other expectations as part of the “gestalt” of Storix’s formation. If  
15 Storix’s rights to the copyright are by virtue of a license, that license is irrevocable.

16 None of the authorities relied upon by Johnson lead to a contrary result. While he  
17 notes California law governs, he strangely only cites cases applying Texas law. In  
18 *Nearstar, Inc. v. Waggoner*, Case No. 4:09cv218, 2011 WL 817374 at \*3-4 (E.D.Tex  
19 March 2, 2011), Waggoner, an officer and director of Nearstar, resigned and sued it for  
20 copyright infringement for the use of software he claimed he wrote prior to Nearstar’s  
21 formation. The Texas district court denied Nearstar’s motion for summary judgment on  
22 the issue of license, since it failed to present evidence that “Waggoner was compensated  
23 specifically for the Dataserver license.” *Id.* Notably, (unlike here) Nearstar’s argument  
24 that Waggoner’s claims were barred by estoppel were improperly raised in a reply, but  
25 the court recognized “estoppel may be a valid bar to Waggoner’s claim.” *Id.* at \*4. Nor  
26 was evidence that Waggoner received valuable shares like Johnson did or distributions.

27 Johnson also cites to *Carson v. Dynegey, Inc.*, 344 F.3d 446, 453 (5th Cir. 2003).  
28

Under Texas law, that court ruled an employee could revoke his license due to a lack of consideration in the form of a nomination for a company award, as they were illusory promises. *Id.* However, the plaintiff's claims were ultimately barred by estoppel. *Id.*

Neither cited Texas case comports with the facts here, which evidence Johnson's actual receipt of valuable consideration. Nor do those cases contravene California cases, like *Sprengel*, that found consideration in situations more consistent with this case.

### 3. Storix, Inc. Never Materially Breached Any License

Although he denies the existence of a license (using any word but "license" to describe Storix's permission to develop and sell SBAdmin for 11 years), Johnson confusingly claims that Storix breached the term of the license by refusing "to allow Johnson the right to control and manage the design of the software." (Pltf. Mot. at 23).

That argument is belied by Johnson's own testimony that he placed *no* restrictions on Storix's commercialization and development of SBAdmin. (UF 77-79). He ceded control of management and resigned as an officer and director in 2011. (UF 69-72). In 2014, he wrote: "...**I have no issues, nor attempted to intervene in any way, with the company operations...**," and "I sincerely hope to see Storix succeed, as I continue to have a financial stake." (UF 99). During his two year absence in 2011-2013 he exercised no "restrictions" on Storix's software development plans.

Moreover, Storix's software expert pointed to many significant changes and enhancements to SBAdmin during this period of time:

"There were also significant changes between the dates of September 21, 2011 and February 2013. These changes included upgrades to support a new version of the Solaris operating system; changes to support upgrades to the Linux operating system; the addition of recovery support for Citrix XenServer and VM guests running on the server; the addition of support for backup to NFS shares mounted to the backup client; and numerous usability improvements for backup, recovery, reporting, and the user interface." (Ex. 91 at 4).

Strangely, Johnson's moving papers even admit that the alleged "infringing works" (i.e., updates of SBAdmin Version 8.2 released after July 2014), "are essentially the same as SBA version 8.2." (Motion at 9). If true, Johnson admits that no material



1 breach occurred, as all updates to Version 8.2 released after his final resignation  
 2 essentially mirrored the non-infringing works from before he quit. In truth, the  
 3 “material breach” claim is one more convenient, trumped up allegation to attempt to put  
 4 Storix out of business and avoid suffering an adverse ruling on Storix’s motion. But like  
 5 his other claims, it is entirely meritless and insufficient to satisfy his burden of proof.

6 **F. STORIX’S CURRENT USE OF SBA IS AUTHORIZED AS A MATTER OF LAW**

7 In addition, even if Johnson could prove ownership and copying, his ability to  
 8 terminate Storix’s rights are limited pursuant to the Copyright Act, which among other  
 9 things, allows Storix to continue its utilization of derivative works that existed as of the  
 10 date of termination. *See* 17 U.S.C. § 203(b)(1). Here, Johnson admits that Storix is  
 11 continuing to sell substantially the same product it was selling at the time he  
 12 purportedly terminated any license. (Pltf. Mot. at 9 [“These infringing works are  
 13 essentially the same as SBA version 8.2...”].) Accordingly, Storix’s ongoing sale of its  
 14 existing software product cannot constitute infringement.

15 **III. JOHNSON’S FAILURE TO PRESENT EVIDENCE OF COPYING**  
 16 **PRECLUDES SUMMARY JUDGMENT**

17 Johnson’s summary judgment motion should be denied on a separate and  
 18 independent basis: He has not presented sufficient evidence of copying of protected  
 19 elements of the registered work. The ‘741 Registration relates to Version 1.3 of  
 20 SBAdmin.<sup>9</sup> He must therefore prove actionable copying of Version 1.3.

21 Copyright infringement requires a plaintiff to prove ownership of a valid  
 22 copyright, and defendant’s copying of protected elements of that work. *Brown Bag*  
 23 *Software v. Symantec Corp.*, 960 F.2d 1465, 1472 (9th Cir. 1992). “Absent direct  
 24 evidence of copying, proof of infringement involves fact-based showings that the  
 25 defendant had ‘access’ to the plaintiff’s work and that the two works are ‘substantially  
 26 similar.’” *Three Boys Music Corp. v. Bolton*, 212 F.3d 477, 481 (9th Cir. 2000).

27 \_\_\_\_\_  
 28 <sup>9</sup> Johnson stated in discovery responses that he had registered Version 2.0, but Storix’s counsel  
 and experts conclusively proved that only Version 1.3 was deposited for the ‘741 Registration.

**A. JOHNSON CANNOT ESTABLISH “SUBSTANTIAL SIMILARITY” AS HE RELIES ON INCOMPLETE CODE ANALYSIS AND SUSPECT IMAGES**

Johnson’s effort to establish “substantial similarity” is highly misleading because he and his expert make no effort to compare Version 1.3 to 8.2.

In assessing substantial similarity between computer programs, the Ninth Circuit employs a two-part analysis: an objective extrinsic test and a subjective intrinsic test. *Brown Bag Software*, 960 F.2d at 1475. For summary judgment, only the extrinsic test is important as the subjective question whether works are intrinsically similar must be left to the jury. *Smith v. Jackson*, 84 F.3d 1213, 1218 (9th Cir. 1996). If Johnson cannot satisfy the extrinsic test, he necessarily loses on summary judgment because a “jury may not find substantial similarity without evidence on both the extrinsic and intrinsic tests.” *Swirsky v. Carey*, 376 F.3d 841, 845 (9th Cir. 2004) (Citations omitted). Summary judgment is “not highly favored” on questions of substantial similarity in copyright cases. *Shaw v. Lindheim*, 919 F.2d 1353, 1355 (9th Cir. 1990).

The extrinsic test considers whether two works share a similarity of ideas and expression as measured by external, objective criteria, and requires “analytical dissection of a work and expert testimony.” *Three Boys*, 212 F.3d at 485. “Analytical dissection requires breaking the works down into their constituent elements, and comparing those elements for proof of copying as measured by substantial similarity.” *Swirsky*, 376 F.3d at 845 (internal quotes omitted). Because substantial similarity of protected elements of the copyrighted work must be proven, it is essential to distinguish between the protected and unprotected material in plaintiff’s work. *Id.* Even if there is evidence of direct copying, the court must still determine the issue of whether the copying is actionable, because not all copying constitutes infringement. *See* 4 M. Nimmer & D. Nimmer, *Nimmer on Copyright* §13.03[C] (2006). The Ninth Circuit applies the abstraction-filtration test to assess copying in computer programs. *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1525 (9th Cir. 1992). The court starts the three-part test by “abstracting” or identifying the aspects of the program are the

1 expression and which are the ideas. In the filtration step, it “sift[s] out all non-  
 2 protectable material,” including ideas and “expression that is necessarily incidental to  
 3 those ideas.” *Id.* at 706. Finally, the court compares the remaining creative expression  
 4 with the allegedly infringing program. *Id.*

5           **1. Johnson Presents No Evidence Comparing Source Code From**  
 6           **the Registered Work (Version 1.3) to the Allegedly Infringing**  
 7           **Work (Version 8.2)**

8           Nowhere does Johnson present any credible evidence of a comparison done of  
 9 the protectable elements of source code as between Version 1.3 and Version 8.2.<sup>10</sup>  
 10 There is good reason for this—*his expert never performed this comparison*, instead  
 11 relying on “pairwise” comparisons of other versions as proxies. However, this is not an  
 12 appropriate comparison under the law.

13           To even approach the proper analysis, “the plaintiff must necessarily establish the  
 14 content of the copyrighted work that it contends was infringed.” *Airframe Systems, Inc.*  
 15 *v. L-3 Communications Corp.*, 658 F.3d 100, 106 (1st Cir. 2011). In the software  
 16 context, this means a plaintiff is “required to present sufficient evidence of copying  
 17 (including substantial similarity) with respect to at least one of the [claimed work]  
 18 source code versions covered by its copyright registrations.” *Id.* In *Airframe Systems*,  
 19 plaintiff failed to prove that source code of the infringing work was actionably copied  
 20 from the registered work leading to summary judgment for defendant, which was  
 21 upheld on appeal. The court ruled the plaintiff had failed to present evidence comparing  
 22 the source code of the original, registered work to that of the allegedly infringing work:

23           “Rosen made no direct comparison between the allegedly infringing M3 program  
 24 and the ARMS source code versions covered by Airframe’s copyright  
 25 registrations, as would normally be done. Rather, he compared the M3 program  
 to the updated 2009 version of the ARMS source code. While this would support  
 a finding of substantial similarity between the M3 program and Airframe’s

26  
 27 <sup>10</sup> Strangely, in his motion, Johnson argues “Storix, Inc. has not even compared the content of  
 28 SBA version 1.3 (the Original Work) to the latest version of SBA, version 8.2” (Plt. Mot. at p.  
 15:6-7), as if it is Storix’s job to carry Johnson’s proof burden. Johnson also ignores the fact  
 he never produced source code for Version 1.3.

1 ‘current’ source code (i.e., the 2009 ARMS source code), there is no claim that  
 2 the 2009 source code was itself registered or that the 2009 version is the same as  
 3 one of Airframe’s earlier registered versions—the 1981 ‘IBM version,’ 1984 ‘PC  
 4 version,’ or 1988 “UNIX version.

5 Indeed, Airframe admits that they are in fact not the same, because the 2009  
 6 source code is a version ‘that had been updated by Airframe in the ordinary  
 7 course of business.’ [Citation]. **Having presented no evidence sufficient to  
 8 prove the content of its registered source code versions, Airframe cannot  
 9 show that any of its registered works is [sic] substantially similar to the  
 10 allegedly infringing M3 program, and Airframe has failed to create a  
 11 genuine issue of material fact as to its claim of copyright infringement.” *Id.*  
 12 (Citation omitted; bold added).**

13 Here, just like in *Airframe Systems*, the undisputed facts demonstrated that  
 14 Johnson failed to meet his proof burden and his motion must be denied. It is now  
 15 undisputed that in 1999, Johnson deposited SBAdmin Version 1.3 for the ‘741  
 16 Registration. (UF 105). That version included IBM’s Sysback code and other publicly  
 17 available software.<sup>11</sup> (UF 108). Later versions of SBAdmin are drastically different  
 18 from Version 1.3, as they replaced Sysback code. In 2000, SBAdmin Version 2.0 was  
 19 released and Johnson touted the new features, and the lack of backwards compatibility  
 20 with Version 1.3. (UF 7). In the 16 years since Version 1.3 was released, SBAdmin has  
 21 undergone innumerable modifications, changes and updates. (UF 23).

22 Johnson never produced it in discovery. The *only* copy of the registered work  
 23 produced to date came as a result of defense counsel obtaining a certified deposit copy.  
 24 *Johnson never even produced a deposit copy.* The deposit copy (and commercially  
 25 available copy) of Version 1.3 contained compiled object code and binary files, shell  
 26 scripts for install updates, license files, various lists of files, configuration files, and  
 27 readme files. (Decl. Barb Frederiksen-Cross, ¶¶ 8-9). The deposit did not include the  
 28 source code used to create Version 1.3. *Id.* Considering that the deposit copy lacked the  
 complete source code necessary for a code comparison, Plaintiff has utterly failed to

<sup>11</sup> Separately, this leads to the registration being invalid, and voiding any presumption to which a valid registration would otherwise be entitled. *See Storix’s Motion*, Sec. IV.C. This is a separate and distinct ground on which to deny Johnson’s motion.

1 meet his burden.

2       Importantly, Johnson’s expert, Dr. Edwards, never made a direct comparison of  
3 the complete source code from Versions 1.3 to 8.2. (Ex. 94, pp. 85:21-96:7; 97:4-  
4 101:9). Rather, Edwards attempts to substitute a direct comparison with a “pairwise”  
5 comparison of subsequent versions of SBAdmin. This equates to the type of indirect  
6 comparison disapproved of in *Airframe Systems*, and is certainly insufficient to succeed  
7 on a summary judgment motion. Nor was he able to meaningfully compare object code  
8 from Version 1.3 to any later version. (*Id.*, pp. 94:24-95:5). Although he argues he  
9 compared some of the “script” files present in Version 1.3 to later versions, this is not  
10 an adequate substitute comparison.

11       Even as to the code that Dr. Edwards did analyze in Version 1.3, he fails to  
12 adequately apply or even address the abstraction/filtration test that is required in such  
13 analysis. His excuse: he relied on Johnson’s deposition testimony confirming  
14 “originality.” (*Id.*, pp. 93:8-16). Apart from criticizing Dr. Edward’s inconsistent “code  
15 counting” methodology, Storix’s software expert noted the critical filtration step was  
16 entirely ignored by Dr. Edwards, and there are significant constraints in the code for  
17 which he simply fails to account.<sup>12</sup> Ms. Frederiksen-Cross stated:

18       “Even were Dr. Edwards counts correct, he fails to filter out code that is subject  
19 to technical constraints or purely functional in nature in deriving his total for  
20 percent of version 4.2 lines carried forward to version 8.2. It is my understanding  
21 that when considering whether computer source code is protectable expression,  
22 one must determine first whether the code is the product of technical constraints  
and/or common programming conventions, so that such constrained code can be  
filtered out before assessing any remaining similarity.” (Ex. 92, ¶¶ 52-56).

23       Dr. Edwards’ choice to entirely ignore the only relevant comparison to be made  
24 (Version 1.3 to 8.2), and failure to address the required filtration of constrained  
25 elements means Johnson’s motion must be denied as he has failed to overcome

26  
27 <sup>12</sup> “As a general rule, summary judgment is inappropriate where an expert’s testimony  
28 supports the non-moving party’s case.” *Provenz v. Miller*, 102 F. 3d 1478 (9th Cir. 1996)  
(citations omitted). A “battle of experts” is generally not properly decided by summary  
judgment. *Goldman v. Standard Ins. Co.*, 341 F. 3d 1023, 1035 (9th Cir. 2003).

evidence giving rise to disputed issues of fact with respect to “substantial similarity.”

**2. Johnson’s Expert’s Comparison of Visual Elements of Version 1.3 to Version 8.2 is Hopelessly Unreliable, and Possibly the Product of Manufactured Evidence**

As explained above, Johnson’s expert’s analysis is insufficient to prove copying of protectable elements of the registered work. His expert’s analysis is troubling for a separate reasons as well. In Dr. Edwards’ report, he presents a comparison of certain “visual” elements of the various versions of SBAdmin, and opines that successive versions of SBAdmin, from Version 1.3 onwards, depict common elements.<sup>13</sup> To make this point, Dr. Edwards’ report, signed under penalty of perjury, cites supposed “screenshots” of various SBAdmin versions. (*See* Edwards Decl. (under seal), Ex. 2, at Ex. 4, thereto). Yet, during his deposition, he admitted that these images were *not* in fact “screenshots” from the various versions they purported to be and Dr. Edwards could not verify their source.

Initially, Dr. Edwards claimed to have “independently confirmed” the validity of the screen shots cited in his report as being made by him personally, his office, or taken from SBAdmin user guides. (Ex. 94, pp. 136:1-9; 143:1-7; 144:9-18; 145:18-146:12). Dr. Edwards was then shown images of Versions 1.3 and 8.2 taken directly from his report. (*Id.*, p. 147:12-25). At first he claimed they were taken from user guides. (*Id.*, p. 148:4-12). He denied that Johnson sent him any screenshots for use in his report. (*Id.*, p. 149:9-18). However, his story changed when presented with inconsistencies in the images, and he suggested Johnson may have sent him images to use. (*Id.*, p. 152:22-15). He could not recall validating the images, and when faced with data that he could not explain, he stated “I did not go through these every single one of these screen shots and look at every single part of each one.” (*Id.*, pp. 154:7-155:14). He admitted that certain images may have been used by “mistake.” (*Id.*, pp. 156:6-18). Finally, he admitted that he did not know if the screenshots were from a user manual at all, and that other images

<sup>13</sup> Storix strongly disagrees with the substance of his user interface analysis and it is disputed by Storix’s expert. (Ex. 92, ¶¶57-58).



1 were included by mistake. (*Id.*, pp. 156:24-157:12). He then tried to minimize the  
 2 import of the screenshots altogether. (*Id.*, pp. 157:13-158:3). In retreating fashion, Dr.  
 3 Edwards admitted that “to the extent that there are images that have changes that have  
 4 been made to original screen shots, *my guess is that those are screen shots that were*  
 5 *provided by Mr. Johnson* to [Edward’s colleague] and were included in the report by  
 6 accident.” (*Id.*, pp. 166:25-167:21). Dr. Edwards also admitted manipulating the default  
 7 color scheme of Version 8.2 images to be more similar to Version 1.3 for his  
 8 comparison purposes. (*Id.*, pp. 165:18-166:2).

9 In light of Dr. Edwards’ inclusion of highly suspect and seemingly doctored  
 10 materials in his report and his failure to provide meaningful comparisons or to  
 11 acknowledge constrained elements, his report and any opinions therein should be  
 12 disregarded as unreliable, or at least viewed with great skepticism. Johnson simply fails  
 13 to establish that there is no triable issue of fact with regard to substantial similarity,  
 14 whether viewed as an assessment of the underlying source code or visual elements  
 15 when comparing the registered work to the allegedly infringing work.

#### 16 **IV. THE REGISTRATION IS INVALID AND CARRIES NO PRESUMPTION**

17 Finally, the very copyright registration at issue is invalid. As set forth in Storix’s  
 18 moving papers, Johnson failed to disclose preexisting works in his application for the  
 19 ‘741 registration, rendering it invalid. (Storix Opening P&A pp. 23-25.) Moreover, the  
 20 facts undermine Johnson’s apparent assumption he is entitled to a “presumption” of a  
 21 validly registered work.<sup>14</sup> (Pltf. Motion at 10).

22 Under the rules at the time of the ‘741 Registration, the Copyright Office  
 23 “considers the source code to be the best representation of the copyrightable authorship  
 24 in a computer program. Thus, the identifying material deposited for a computer  
 25

26  
 27 <sup>14</sup> As explained in Storix’s own motion, the ‘741 Registration is also invalid as Johnson  
 28 withheld information from the Copyright Register in obtaining the registration. (*See* Storix’s  
 Motion, Document 50-1, Sec. IV.C). Accordingly, this is a separate ground to deny his  
 entitlement to any presumption, and to deny his motion entirely.

1 program should be in source code.”<sup>15</sup> See U.S. Copyright Office, Compendium of U.S.  
 2 Copyright Office Practices (Second) § 324.04 (1984). Deposit copies for computer  
 3 programs containing “object code” are subject to the “rule of doubt”:

4 “[B]oth Copyright Office Circular 61, Copyright Registration for Computer  
 5 Programs, and Compendium II, the Compendium of Copyright Office Practices,  
 6 allow for the deposit of object code instead of source code. Circular 61, page 2;  
 7 Compendium II, § 324.04. **Both of these publications provide that the deposit  
 8 of object code leads to a rule of doubt registration, or a registration without  
 the ordinary presumption of validity, because the deposit of object code does  
 not allow the Register to determine the existence of copyrightable material.”**

9 *Syntek Semiconductor Co. v. Microchip Technology*, 285 F. 3d 857, 861 (9th Cir. 2002).

10 Here it is undisputed that the deposit for the registered work did not include the  
 11 source code. As Dr. Edwards, Johnson’s software expert, admitted, the deposit copy of  
 12 Version 1.3 did not contain the “C” source code. (Ex. 94, pp. 91:19-92:2). Rather, it  
 13 contained object code. While the deposit copy also contained some “shell scripts” and  
 14 text files (*see* Frederiksen-Cross Decl.), it certainly did not contain the full “source  
 15 code” deposit as contemplated by the rules. Thus, the ‘741 Registration is subject to the  
 16 “rule of doubt” and Johnson is not entitled to the ordinary presumptions afforded valid  
 17 registrations generally. See U.S. Copyright Office, Compendium of U.S. Copyright  
 18 Office Practices §§ 324.04 & 108.07 (2d Ed. 1984).

## 19 V. CONCLUSION

20 For the reasons set forth herein, the court should deny Johnson’s motion for  
 21 summary judgment and, instead, grant Storix’s motion for summary judgment.

22 DATED: October 16, 2015

PROCOPIO, CORY, HARGREAVES &  
 SAVITCH LLP

23 By: /s/ Paul A. Tyrell  
 24 Paul A. Tyrell  
 25 Sean M. Sullivan  
 Attorneys for Storix, Inc.

26 <sup>15</sup> The Copyright Office defined “Source Code” as “the computer program code as the  
 27 programmer originally writes it, in the programming language being used. It must be changed  
 28 into object code before the computer can execute it, unless the program was originally written  
 in object code.” Compendium (Second) § 326.



**CERTIFICATE OF SERVICE**

I hereby certify that on October 16, 2015, I electronically filed the foregoing through this Court's electronic transmission facilities via the Notice of Electronic Filing (NEF) and hyperlink, to the parties and/or counsel who are determined this date to be registered CM/ECF Users set forth in the service list obtained from this Court on the Electronic Mail Notice List.

s/ Paul A. Tyrell