**Docket No. 16-55439**

**[Memorandum decision issued December 19, 2017; D.W. Nelson, and Reinhardt, Circuit Judges and Steeh, District Judge]**

**IN THE UNITED STATES COURT OF APPEALS**
**FOR THE NINTH CIRCUIT**

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ANTHONY JOHNSON,
*Plaintiff-Counter-Defendant-Appellant,*

v.

STORIX, INC., a California Corporation,
*Defendant-Counter-Claimant-Appellee.*

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Appeal From a Judgment Issued by the United States District Court for the Southern District of California

Honorable Marilyn L. Huff, District Judge

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# APPELLEE'S PETITION FOR LIMITED REHEARING

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## FEDERAL STATUTES, REGULATIONS, AND RULES

## I.

## INTRODUCTION

Appellee Storix, Inc. (Storix) respectfully petitions this Court for a limited rehearing regarding its Memorandum decision filed on December 19, 2017, to the extent the decision reverses and remands the district court's award of attorney fees to Storix on the ground the award was excessive. The "excessiveness" of the district court's attorney fee award was *never* raised by Appellant Anthony Johnson (Johnson) or briefed by the parties. The district court order awarding fees and the underlying evidence filed in support of, and in opposition to, Storix's fee request was likewise *not* referenced in the parties' briefing or included in the record on appeal. Unfortunately, it appears this Court may have been misled by an inaccurate statement in Johnson's Reply Brief on appeal suggesting the district court awarded attorney fees based on a bright line date (i.e. a mechanical approach) instead of considering the work performed throughout the pendency of the litigation, as well as the other loadstar factors. The statement was unsubstantiated and incorrect. Because the issue was not mentioned, much less discussed, in Johnson's Opening Brief, Storix had no opportunity to address the issue.

If given the opportunity to do so, Storix would have pointed out that the district court's fee award amounted to a significant reduction of the attorney fees incurred by Storix during two years of litigating this copyright action by more than

60% (i.e. from approximately $1.4 million in fees incurred to $543,704 awarded) and that the district court had reached that award after considering multiple rounds of briefing and oral argument. The district court not only eliminated Storix's ability to seek fees incurred from August 8, 2014 (the filing of Johnson's Complaint) through October 6, 2015 (the date Johnson sent an email to Storix customers requesting them to cease paying Storix so that Storix would have insufficient funds to continue the lawsuit), it also significantly eliminated Storix's ability to recover fees for multiple activities engaged in after October 6, 2015 and beyond the entry of judgment. Consequently, this Court has reversed an inherently discretionary ruling by the district court on an issue Johnson *never* raised, without Johnson having provided a complete record and based on an inaccurate statement in Johnson's reply brief. Storix had no opportunity to address these issues because the case was determined to be suitable for decision without oral argument over Storix's objection. [9th Cir. Dkt. No. 67.]

## II.

## PERTINENT FACTS

### A. The Parties' Briefing.

Johnson was represented by counsel throughout the pendency of the district court proceedings and before this Court through briefing. Johnson only began

representing himself *in pro per* after briefing was submitted.[1] Johnson's Opening Brief, filed by the law firm of Mintz, Levin, Cohn, Ferris, Glovskey & Popeo, P.C., identifies four (4) issues for review. [9th Cir. Dkt. No. 25, pp.4-5.] The only issue raised regarding the district court's order awarding attorney fees states:

> If the judgment is not overturned, whether the district court erred in awarding attorneys' fees in light of its finding that Johnson's case was objectively reasonable and not frivolous.

[*Id*. at p. 5.] Consistently, Johnson's briefing urged it was "an abuse of discretion to award fees to Storix," but did not otherwise challenge the *amount* of the district court's award as excessive. [*Id*. at pp. 39-45.]

The briefing submitted by Storix was similarly limited to whether the district court was within its discretion in awarding attorney fees based on a balancing of the factors enumerated by the Supreme Court in *Kirtsaeng v. John Wiley & Sons, Inc*., 136 S.Ct. 1979 (2016). [9th Cir. Dkt. No. 48, pp. 4, 48-53.]

Johnson's Reply Brief, filed by attorney Bernard F. King III, again argued the district court "abused its discretion in awarding Storix attorney fees" claiming (1) the need for deterrence was unjustified; and (2) the district court "adopted Storix's false claim that Johnson lied to third parties in its award of attorney fees." [9th Cir. Dkt. No. 53, pp. 19-24.] Johnson's Reply Brief also inaccurately suggests

[1] Johnson is currently represented by counsel in ongoing state court actions involving Storix.

that the district court awarded *all* fees incurred by Storix after October 6, 2016, the date Johnson sent an email to customers asking them to cease paying Storix so that Storix would have insufficient funds to continue defending the lawsuit. [9th Cir. Dkt. No. 53, p. 21.] Based on this inaccurate statement, unsupported by citation to the district court's actual order, Johnson argued for the first time it was an abuse of discretion for the district court to award attorney fees based on that date. [*Id*.] However, as addressed below, not only did the district court eliminate Storix's ability to recover fees incurred during over a one (1) year period, from August 8, 2014 through October 6, 2015, it went on to further significantly reduce Storix's fees based on "certain exceptions and other applicable considerations." [District Ct. Dkt. No. 230, ¶ 3.] There was nothing mechanical about the district court's approach.

**B. District Court Proceedings Regarding Attorney Fees.**

Following entry of the judgment, Storix filed a motion for attorney fees seeking to recover the approximate $1.4 million it incurred defending Johnson's copyright litigation over a period of two years. [District Ct. Dkt. Nos. 165, 179.] Johnson opposed (District Ct. Dkt. Nos. 180-182) and Storix filed its reply. [District Ct. Dkt. No. 184, 188.] Thereafter, the district court permitted additional briefing regarding the impact of the Supreme Court's decision in *Kirtsaeng*, *supra*, on Storix's motion for attorney fees and costs. [District Ct. Dkts. 215, 223-225.]

Oral argument was held on Storix's motion for attorney fees and costs on August 15, 2016. Thereafter, the district court issued an order eliminating approximately 60% of the fees sought by Storix and further ordered that Storix submit detailed calculations and explanations for the remaining fees. [District Ct. Dkt. 230] Even though the district court found Johnson had filed his lawsuit with improper motives, that there was significant evidence weighing against Johnson's claims, and that Storix had achieved complete success, the district court, *as a starting point*, only permitted Storix to seek fees on or after October 6, 2015—the date Johnson sent an email to customers asking them to cease paying Storix so that Storix would have insufficient funds to continue defending the lawsuit. [District Ct. Dkt. 230, p. 13, ¶ 3.][2]

The district court further eliminated other fees sought by Storix after the October 6, 2015 date, including (1) fees associated with opposing Johnson's motions in limine to preclude the testimony of Barbara Frederiksen-Cross ; (2) fees associated with mediation; (3) fees relating to the briefing that Storix provided regarding *Kirtsaeng v. John Wiley & Sons, Inc.*, including Storix's response to Johnson's brief and all declarations in support of those brief; and (4) fees related to

[2] In other correspondence sent by Johnson, a 40% shareholder of Storix, he boasted regarding his financial ability to outspend the company. [6ER1278, ¶ 4 ("If you have about $IM sitting around, this shouldn't worry you. I do. That 60% stock I gave you served me well.").]

Storix's motion for further relief pursuant to 28 U.S.C. section 2202. [*Id*. at 14-15.] The district court likewise declined to award additional costs sought by Storix beyond those taxable under 28 U.S.C. section 1920. [*Id*.]

Even after the elimination of approximately 60% of Storix's incurred fees, the district court issued an order requiring additional detailed information from Storix and held additional proceedings. [*Id*.] Storix complied with the order and submitted supplemental information including a detailed chart and its billings. [District Ct. Dkt. 234.] Johnson opposed (District Ct. Dkt. 239) and Storix filed its reply. [District Ct. Dkt. 240.] Following the district court's further review of the fee information submitted, the district court then issued another order calculating attorney fees, including a further reduction of Storix's fees by $4,055.60. [Dkt. 241.]

The District Court's October 31, 2016, order calculating fees and awarding Storix $543,704.00 of the approximate $1.4 million in fees Storix originally requested was never referenced in Johnson's briefing or included in the record on appeal.

### C. Submission of the Appeal Without Oral Argument.

Following the submission of briefing, Johnson, now proceeding *in pro per*, moved for submission of the appeal without oral argument. [9th Cir. Dkt. Nos. 58, 60.] Storix opposed, noting among other reasons that Johnson's Opening Brief and

Reply made multiple unsubstantiated statements that were contradicted or unsupported by the record. [9th Cir. Dkt. No. 63, p. 4 ("To the extent Johnson's misstatements cause this Court any pause for concern, oral argument will be Storix's only opportunity to respond.").] On November 9, 2017, Johnson's motion to submit case on briefs was granted. [9th Cir. Dkt. No. 67.]

### D. This Court's Memorandum Decision.

On December 19, 2017, this Court issued a Memorandum Decision affirming in part and reversing in part the judgment entered in favor of Storix. The decision rejects Johnson's multiple arguments challenging the validity of the jury's finding that Storix was the owner of the copyright at issue, and likewise finds that the district court did not abuse its discretion in awarding attorney fees to Storix pursuant to 10 U.S.C. section 505. However, the decision reverses and remands for consideration the *amount* of attorney fees awarded by the district court, based on this Court's misunderstanding that the district court used a mechanical or formulaic approach resulting in an unreasonable award. [Memorandum, p. 7.]

## III.

## REHEARING IS PROPER WHEN A DECISION IS BASED ON AN UNBRIEFED ISSUE

Ninth Circuit General Order 4.2 provides that "[i]f a panel determines to decide a case upon the basis of a significant point not raised by the parties in their

briefs, it shall give serious consideration to requesting additional briefing and oral argument before issuing a disposition predicated upon the particular point." [General Order 4.2.] Federal Rule of Appellate Procedure 28(a)(4) also provides that the appellant's brief 'shall contain the contentions of the appellant with respect to the issues presented, and the reasons therefor...." *Northwest Acceptance Corp. v. Lynnwood Equipment, Inc*., 841 F.2d 918, 923 (9th Cir. 1988). An appellant's failure to comply with Rule 28(a)(4) results in waiver. *Id.* The reversal of the district court's order on the ground that the amount of the award was "excessive" is a significant point. The issue was not addressed in the parties' briefs and should have been deemed waived.

Johnson likewise did not preserve the issue with his unsubstantiated and inaccurate assertion in his Reply Brief that the district court abused its discretion by awarding fees incurred on or after October 6, 2015. See *Ellingson v. Burlington Northern, Inc*., 653 F.2d 1327, 1332 (9th Cir. 1981) [An issue advanced for the first time in the reply brief does not provide appellee with an appropriate opportunity—and indeed, may provide appellee with no opportunity—to meet the contention.]

Johnson not only failed to raise the "excessiveness" of the district court's award in his briefing, he also did not include in the record any of the underlying evidence filed in support of, or in opposition to, Storix's requested fees. Circuit

Rule 30-1.4(a) requires that an appellant include any opinion, findings of fact or conclusions of law relating to the judgment or order appealed from and any other orders or rulings sought to be reviewed. The district court order calculating fees was never referenced by Johnson in briefing or included in the record on appeal as an order being challenged. Rehearing is particularly appropriate when, as here, a decision is based on an unbriefed issue and an incomplete record.

Storix was denied the opportunity to point out these deficiencies to the Court because the decision in this matter was deemed appropriate for determination without oral argument.

## IV.

## CONCLUSION

It is therefore requested that this Petition for Rehearing be granted and the decision of this Court modified to affirm the judgment, including the district court's award of attorney fees to Storix on the ground Johnson never raised and therefore waived any challenge to the reasonableness of the award. Alternatively, Storix requests that at a minimum it be provided the opportunity to submit supplemental briefing and a supplemental record on the issue of the reasonableness of attorney fees awarded to Storix. The district court's award was not based on a mechanical approach, was not excessive (particularly given Johnson's admission

he had "$1M sitting around" to outspend Storix), and was well-within the district court's broad discretion.

DATED: January 2, 2018

PROCOPIO, CORY, HARGREAVES AND SAVITCH LLP

By: *s/Kendra J. Hall*
Paul A. Tyrell
Kendra J. Hall
Sean Sullivan
Attorneys for Appellees

## CERTIFICATE OF COMPLIANCE

Pursuant to California Rules of Court, Rule 8.204(c), I certify that this APPELLEE'S PETITION FOR LIMITED REHEARING is proportionately spaced, has a typeface of 13 points or more, and contains 2,117 words.

DATED: January 2, 2018

PROCOPIO, CORY, HARGREAVES AND SAVITCH LLP

By: *s/ Kendra J. Hall*
Paul A. Tyrell
Kendra J. Hall
Sean Sullivan
Attorneys for Appellees

## CERTIFICATE OF SERVICE

I am employed in the county of San Diego, State of California. I am over the age of 18 and not a party to the within action. My business address is 525 B Street, Suite 2200, San Diego, California 92101.

☒ I hereby certify that I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system on January 2, 2018.

**APPELLEE'S PETITION FOR LIMITED REHEARING**

☒ (Federal) I declare that I am a member of the Bar of this Court at whose direction the service was made.

Executed on January 2, 2018, at San Diego, California.

By: s/*Kendra J. Hall*
Kendra J. Hall
Email: kendra.hall@procopio.com

# APPENDIX-1

FILED

DEC 19 2017

MOLLY C. DWYER, CLERK
U.S. COURT OF APPEALS

**NOT FOR PUBLICATION**

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

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| ANTHONY J. JOHNSON,<br><br>Plaintiff-counter-defendant-Appellant,<br><br>v.<br><br>STORIX, INC., a California Corporation,<br><br>Defendant-counter-claimant-Appellee. | No. 16-55439<br><br>D.C. No. 3:14-cv-01873-H-BLM<br><br>MEMORANDUM* |

Appeal from the United States District Court
for the Southern District of California
Marilyn L. Huff, District Judge, Presiding

Submitted December 5, 2017**
Pasadena, California

Before: D.W. NELSON and REINHARDT, Circuit Judges, and STEEH,*** District Judge.

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* This disposition is not appropriate for publication and is not precedent except as provided by Ninth Circuit Rule 36-3.

** The panel unanimously concludes this case is suitable for decision without oral argument. *See* Fed. R. App. P. 34(a)(2).

*** The Honorable George Caram Steeh III, United States District Judge for the Eastern District of Michigan, sitting by designation.

Anthony Johnson ("Johnson") appeals the judgment in favor of Storix, Inc. ("Storix") after a 5-day jury trial in his copyright infringement action, denial of his summary judgment motion, denial of his motion for a new trial, and award of attorney's fees to Storix. We review a denial of summary judgment de novo. *Perfect 10, Inc. v. CCBill L.L.C.*, 488 F.3d 1102, 1109 (9th Cir. 2007). For a summary judgment ruling to be appealable after a full trial on the merits, the denial must involve an "error of law that, if not made, would have required the district court to grant the motion." *FBT Productions, LLC v. Aftermath Records*, 621 F.3d 958, 963 (9th Cir. 2010). In reviewing a denial of a motion for a new trial, we review interpretations of the Copyright Act de novo. *See Perfect 10, Inc.*, 488 F.3d at 1109. We review jury instructions de novo for statements of law and under an abuse of discretion standard with respect to their formulation. *SEIU v. Nat'l Union of Healthcare Workers*, 718 F.3d 1036, 1047 (9th Cir. 2013). We also "review a district court's decision to grant or deny attorney's fees under the Copyright Act for abuse of discretion." *Perfect 10, Inc.*, 488 F.3d at 1109. We **AFFIRM** in part, **REVERSE** in part, and **REMAND**.

On March 15, 2004, Johnson signed a 2003 Annual Report ("Annual Report") he personally drafted that memorialized the transfer of "all assets" to

Storix. The Annual Report stated: "All assets from Storix Software were transferred to Storix Inc., as of its incorporation as of February 24, 2003."

Johnson argues that the district court erred in denying his motion for summary judgment and motion for a new trial because the Annual Report does not satisfy Section 204(a) of the Copyright Act as a matter of law. The Copyright Act provides that "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." 17 U.S.C. § 204(a). Section 204(a) can be satisfied by an oral assignment that is later confirmed in writing. *Jules Jordan Video, Inc. v. 144942 Canada Inc.*, 617 F.3d 1146, 1156 (9th Cir. 2010); *Valente-Kritzer Video v. Pinckney*, 881 F.2d 772, 775 (9th Cir. 1989) ("If an oral transfer of a copyright license is later confirmed in writing, the transfer is valid.").

The writing does not require any "magic words . . . Rather, the parties' intent as evidenced by the writing must demonstrate a transfer of the copyright." *Radio Television Espanola S.A. v. New World Entm't, Ltd.*, 183 F.3d 922, 927 (9th Cir. 1999) (citing Melville B. Nimmer & David Nimmer, Nimmer on Copyright, § 10.03[A][2] at 10-37 ["As with all matters of contract law, the essence of the inquiry here is to effectuate the intent of the parties."]). As such, the writing does

not "have to be the Magna Carta; a one-line pro forma statement will do." *Id.* (citations omitted); *see also SCO Grp., Inc. v. Novell, Inc.*, 578 F.3d 1201, 1212 (10th Cir. 2009) ("Section 204(a), by its terms, imposes only the requirement that a copyright transfer be in writing and signed by the parties from whom the copyright is transferred; it does not on its face impose any heightened burden of clarity or particularity.").

The Annual Report qualified as a "note or memorandum" that was signed by Johnson and memorialized a transfer of assets. *See* 18 U.S.C. § 204(a). Contrary to Johnson's assertions, the form of a signature and contemporaneity of the writing are not dispositive. First, Section 204(a) does not necessitate the form of the signature to be in the transferor's personal capacity. The purpose of Section 204(a)'s writing requirement is to prevent inadvertent transfers and fraudulent claims of copyright ownership. *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1428-29 (9th Cir. 1996). That concern is virtually absent when Johnson himself admitted to writing and signing the Annual Report that memorialized a transfer of at least some assets to his own wholly-owned company. Johnson conceded that a transfer of some assets did occur, including computers, desks, supplies, and "whatever was necessary to continue doing business as Storix, the same thing that I was doing as Storix Software."

Similarly, *Konigsberg Intern. Inc. v. Rice*, 16 F.3d 355 (9th Cir. 1994) does not require a contemporaneous writing under these facts. *Magnuson*, 85 F.3d at 1429 n.1 (stating that the issue in *Konigsberg* was tardiness, not contemporaneousness, and "to the extent that some language in *Konigsberg* might be interpreted as requiring a contemporaneous writing even under the facts of this case, it is clearly dicta."); *see also Barefoot Architect, Inc. v. Bunge*, 632 F.3d 822, 828 (3d Cir. 2011) ("[T]ext of the statute . . . clearly allows for a subsequent writing to effectuate an earlier oral transfer, it does not specify a time period during which the writing must be consummated."). Unlike the writing in *Konigsberg*, the Annual Report provided a "reference point" to the exact date of the transfer. *See id.* (noting that the problem in *Konigsberg* was that "it was 'not the *type of writing* contemplated by [S]ection 204'" because it did not provide a "reference point for the parties' [] disputes").

Johnson also argues that his motion for a new trial should have been granted because the interpretation of Section 204(a) was not an issue for the jury. But for Johnson's assertion that the term "all assets" did not include the copyright to SBA, the Annual Report satisfied Section 204(a)'s writing requirement. Both parties offered extrinsic evidence to prove the meaning of "all assets." *See* 2 Patry on Copyright § 5:111 ("After-the-fact writings should serve . . . as a reference point, a

springboard from whence the parties' actual intent may be verified . . . Extrinsic evidence of the parties' intent may play an important role."). Extrinsic evidence that is offered to interpret the terms of a writing are for the jury. *Cachil Dehe Band of Wintun Indians of Colusa Indian Cmty. v. California*, 618 F.3d 1066, 1077 (9th Cir. 2010) (When there is "extrinsic evidence supporting competing interpretations of ambiguous contract language the court may not use the evidence to interpret the contract as a matter of law, but must instead render the evidence to the factfinder for evaluation of its credibility"); *see Welles v. Turner Entm't Co.*, 503 F.3d 728, 737 (9th Cir. 2007) (remanding to district court because the intention of parties' copyright transfer was ambiguous, "and because the contract's interpretation may turn on the credibility of extrinsic evidence."). Thus, the jury was properly tasked with interpreting the term at issue.

Given the foregoing, the jury instructions correctly stated that the term "all assets" could include copyright ownership and that the jury could use extrinsic evidence to interpret the meaning of the term. Therefore, the district court did not err in denying Johnson's motion for a new trial on the basis that the jury instructions were an incorrect statement of law.

The district court did not abuse its discretion in awarding fees to Storix because it gave "'substantial weight' to the objective reasonableness of [Johnson's]

position but did not rely exclusively on it, and thus the Supreme Court's recent decision in *Kirtsaeng v. John Wiley & Sons, Inc.* does not require a different result." *Choyce v. SF Bay Area Indep. Media Ctr.*, 669 F.App'x 863, 865 (9th Cir. 2016). The district court properly relied on other factors that outweighed its findings that Johnson's claims were not objectively unreasonable or frivolous: Johnson's motivation, the degree of Defendant Storix's success, and the need to advance considerations of compensation and deterrence. *See Omega S.A. v. Costco Wholesale Com.*, 776 F.3d 692, 695-96 (9th Cir. 2015).

While the district court did not abuse its discretion in choosing to award fees to Storix, we find that the amount of the award was unreasonable. "Even though a district court has discretion to choose how it calculates fees, we have said many times that it abuses that discretion when it uses a mechanical or formulaic approach that results in an unreasonable reward." *In re Bluetooth Headset Prod. Liab. Litig.*, 654 F.3d 935, 944 (9th Cir. 2011) (citations and quotations omitted); *see also Fox v. Vice*, 563 U.S. 826, 839 (2011) ("The essential goal in shifting fees … is to do rough justice, not to achieve auditing perfection."). Because Johnson's claims were neither unreasonable nor frivolous, the amount of $543,704 was excessive. *See Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S.Ct. 1979, 1988 (2016) (holding that courts must give substantial weight to the objective reasonableness of losing

party's position when awarding fees). Further, Johnson, who is now pro se, is an individual plaintiff, rather than another company. *See Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986) ("The relative financial strength of the parties is a valid consideration" in determining "what amount is reasonable"). "While we do not pass judgment on what the award should be, § 505 demands that it be reasonable." *Woodhaven Homes & Realty, Inc. v. Hotz*, 396 F.3d 822, 824 (7th Cir. 2005) (quotations omitted)*; see also Yellow Pages Photos, Inc. v. Ziplocal, LP*, 846 F.3d 1159, 1165 (11th Cir. 2017) ("At the end of the day, the substantive reasonableness of the amount awarded is the touchstone of our evaluation of a district court's award of fees and costs."). We therefore reverse the fee award and remand to the district court to reconsider the amount.

**AFFIRMED in part, REVERSED in part, and REMANDED.** Each party shall bear its own costs.