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7 UNITED STATES DISTRICT COURT
8 SOUTHERN DISTRICT OF CALIFORNIA
9

10
11 ANTHONY JOHNSON, an Individual,
12 Plaintiff,
13 vs.
14 STORIX, INC., a California
Corporation,
15 Defendants.
16

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

**PLAINTIFF’S REPLY
SUPPLEMENTAL BRIEF
REGARDING THE UNITED
STATES SUPREME COURT
DECISION IN *KIRTSAENG V.
JOHN WILEY & SONS, INC.’S
EFFECT ON STORIX, INC.’S
MOTION FOR ATTORNEYS’ FEES
(DKT. 165)***

17 STORIX, INC., a California
Corporation,
18 Counter-Claimant,
19 vs.
20 ANTHONY JOHNSON, an individual,
21 Counter-Defendant
22

Date: August 15, 2016
Time: 10:30 a.m.
Judge: Hon. Marilyn L. Huff

Complaint Filed: August 8, 2014
Trial Date: December 8, 2015

1 Johnson respectfully submits this Reply Supplemental Brief regarding the effect
 2 of the United States Supreme Court’s decision in *Kirtsaeng v. John Wiley & Sons,*
 3 *Inc.* on Storix’s Motion for Attorneys’ Fees (Dkt. 165).

4 Under *Kirtsaeng*, courts must give “substantial weight” to the objective
 5 reasonableness factor. 136 S. Ct. 1979 (2016). The Ninth Circuit has recently held
 6 that “[i]f a plaintiff has a claim that hinges on disputed facts sufficient to reach a jury,
 7 *that claim necessarily is reasonable* because a jury might decide the case in the
 8 plaintiff’s favor.” *VMG Salsoul, LLC v. Ciccone*, __ F.3d __, 2016 U.S. App. LEXIS
 9 10017, *38 (9th Cir. June 2, 2016). So too here, Johnson’s claims reached a jury and
 10 thus must be reasonable.

11 Rather than view Johnson’s litigation position as a whole, Storix focuses on
 12 several isolated instances whereby it claims Johnson was objectively unreasonable to
 13 conclude that *Kirtsaeng* supports an award of attorneys’ fees. *See, e.g.*, Storix
 14 Memorandum Regarding *Kirtsaeng* (“Storix Memorandum”) at 5-6: 16-10. Storix is
 15 wrong. First, as noted, because this case survived summary judgment, it must be
 16 deemed objectively reasonable, because the jury could have necessarily decided the
 17 case either way. Dkt. 84. Second, Johnson’s positions were objectively reasonable,
 18 as evidence supported his position, which the Court agreed in denying Storix’s
 19 summary judgment motion. Because Johnson’s litigation positions were objectively
 20 reasonable, which is given substantial weight, and because a totality of the
 21 circumstances evaluation of the other *Fogarty* factors also favors a denial of
 22 attorneys’ fees, *Kirtsaeng* dictates that Storix’s fee motion should be denied.

23 **I. JOHNSON’S POSITION WAS OBJECTIVELY REASONABLE**

24 **A. Johnson’s Litigation Position was Objectively Reasonable Because** 25 **His Claims Survived Summary Judgment**

26 Throughout this litigation, Johnson’s claims have been well based in fact and law.
 27 Even with the existence of issues of disputed facts and credibility determinations,
 28 “[i]f a plaintiff has a claim that hinges on disputed facts sufficient to reach a jury, *that*

1 *claim necessarily is reasonable* because a jury might decide the case in the plaintiff’s
 2 favor.” *VMG Salsoul*, 2016 U.S. App. LEXIS 10017 at *38 (emphasis added). In
 3 *VMG Salsoul*, the Ninth Circuit found that it was an abuse of discretion to grant
 4 attorneys’ fees to the defendants. The Ninth Circuit held it was an error as a matter of
 5 law to find a claim unreasonable when that claim involves disputed facts preventing
 6 summary judgment. *Id.* at *37-38 (“Again, the court erred as a matter of law. If a
 7 plaintiff has a claim that hinges on disputed facts sufficient to reach a jury, that claim
 8 necessarily is reasonable because a jury might decide the case in the plaintiff’s
 9 favor.”).¹ In other words, if claims are not subject to summary judgment such that it
 10 is to be presented to a jury, they cannot be objectively unreasonable.

11 Johnson’s claims are objectively reasonable. Johnson’s case survived Storix’s
 12 summary judgment motion. Johnson’s case went to trial and was decided by a jury—
 13 precisely because a reasonable jury could determine the case in his favor. This in and
 14 of itself, according to the Ninth Circuit, makes Johnson’s litigation position
 15 objectively reasonable.

16 **B. Johnson’s Litigation Position was Independently Reasonable**

17 Storix has ignored, and continues to ignore, Johnson’s objectively reasonable
 18 litigation positions in order to paint Johnson as unreasonable in this litigation. Claims
 19 are objectively unreasonable if the plaintiff “should have known from the outset that
 20 its chances of success in this case were slim to none.” *Sofa Entm’t, Inc. v. Dodger*
 21 *Prods.*, 709 F.3d 1273, 1280 (9th Cir. 2013).² That is not the case here.

22 First, Storix ignores the Court’s previous statements at the hearing that Johnson’s
 23

24 ¹ *VMG Salsoul* was decided a few days before *Kirtsaeng*. However, the analysis was
 25 not altered by *Kirtsaeng*, and a district court has already cited *VMG* approvingly,
 26 post-*Kirtsaeng*. See *Erickson Prods. v. Kast*, 2016 U.S. Dist. LEXIS 96113, *5 (N.D.
 Cal. July 22, 2016).

27 ² Many cases have considered the “objectively reasonable” and “frivolous”
 28 considerations to be the same. However, for purposes of this motion, Johnson will
 use the standard that he “should have known from the outset that [his] chances of
 success in this case were slim to none.” See Johnson’s Supplemental Brief at 5, n.2.

1 positions were not frivolous. Johnson’s Supplemental Brief at 5, n.2. Storix shows
 2 no reason why the Court’s statements could be read to be that Johnson’s position was
 3 not frivolous, yet objectively unreasonable. Given the high similarity between the
 4 two standards, the Court’s statements that Johnson’s legal arguments were not
 5 frivolous, and that there were triable issues of fact, show that Johnson’s position is
 6 objectively reasonable.

7 Second, as shown below, each of Storix’s purported instances showing Johnson’s
 8 unreasonableness actually point to solid, reasonable reasons Johnson brought and
 9 advanced his copyright infringement claim through trial.³

10 **1. It was Reasonable for Johnson to Argue no Assignment of his**
 11 **Copyright Rights to Storix**

12 Storix argues it was objectively unreasonable for Johnson to contend he did not
 13 assign over his copyright ownership to Storix. Storix Memorandum at 6-7:11-12.
 14 Storix’s argument is that there was evidence of representations in company contracts,
 15 emails, software code, and documentation, that Storix owned rights to SBAdmin.
 16 Storix is wrong.

17 Johnson’s position has always been that he licensed Storix all the rights it needed.
 18 Each one of the above documents is and has been consistent with that position.
 19 Storix had every right to enter into agreements, given that license. Even his
 20 layperson, off-handed “all assets” statement from the annual report is consistent with
 21 that belief. However, what Storix cannot explain, and what is consistent with *only* a
 22 belief of never having assigned ownership, was Johnson’s estate plan and his
 23 assignment document concerning STORIX SOFTWARE trademark.

24 Contrary to Storix’s position, at trial, Johnson testified that an estate plan was
 25 created on March 9, 2012, to transfer intellectual property Johnson believed he

26
 27 ³ All the other reasons why Johnson’s litigation positions were objectively
 28 reasonable, which were fully briefed in Johnson’s Supplemental Brief at 4-7:26-17,
 also continue to show his objective reasonableness.

1 owned. A month after the estate plan was created, around April of 2012, Johnson
2 added specific intellectual property to the estate document, including his copyright in
3 SBAdmin. The estate document included a list of items important to Johnson that he
4 wanted to specifically allocate, including: his house, *his copyright*, his dog, his gold
5 coins, and land in Costa Rica. Dkt. 145, Trial Transcript, December 8, 2015 at ¶¶ I-
6 180-83. This document, created when Johnson believed he was near death (well
7 before this lawsuit), shows that in 2012, he believed he owned the copyright to
8 SBAdmin and needed to transfer its ownership. This was long before the 2014 filing
9 of this case, and in direct contravention to Storix’s claim that “[t]he first time
10 Johnson’s words or actions suggested anything other than Storix’s copyright
11 ownership was *after* he resigned his employment in 2014.” Storix Memorandum
12 at 7:4-7.⁴

13 Johnson also completed a 2006 trademark assignment document for the mark
14 STORIX SOFTWARE. Dkt. 84, at 6:-13; Tr. Exh. 17. This showed that Johnson
15 kept some assets, even with the stray “all assets” language in the annual report.
16 Moreover, neither Storix’s accounting records nor its 2003 income tax return
17 reflected that Storix owned the copyright – showing Storix did not act like it owned
18 the copyright. Dkt. 84, at 6:4-6. This all goes to the reasonableness of Johnson’s
19 position that he owned the copyright.

20 Up until Johnson graciously gave away 60% of his company, he was the sole
21 owner. Thus, as the sole owner, it was not too critical to distinguish himself from
22 Storix. But when the time came to make that distinction, Johnson’s estate planning
23 and trademark assignment show he had maintained ownership of the SBAdmin
24

25 ⁴ Storix argues that because the estate document may have not been a trial exhibit, it
26 cannot be considered in the objective reasonableness inquiry. Storix Memorandum at
27 7, n.3. First, it was referenced at trial, as noted above, but second, that misses the
28 point. That the document exists shows Johnson had a reasonable position he truly
believed when he brought and argued the case. That Johnson’s attorney may or may
not have used that document in trial is irrelevant.

1 copyright as his own, and that Storix was licensed all necessary rights it needed.

2 All the above is why summary judgment was not granted for Storix – because
3 Johnson had a reasonable position that could support a jury verdict. Order, Dkt. 84
4 at 11 (Denying summary judgment “[b]ecause there are disputed material facts
5 leading to conflicting conclusions as to whether Plaintiff Johnson transferred his
6 ownership of the copyright ...”).

7 Moreover, as has been discussed earlier, there is no clear-cut evidence of a
8 sufficient writing under Section 204 of the Copyright Act. To-date, Storix has yet to
9 actually state what the terms of the transfer of ownership would have been (if it had
10 occurred). That is because Johnson did not believe he transferred such ownership,
11 and thus he never created such an assignment document.

12 Accordingly, Johnson’s position that he owned the copyright and licensed Storix
13 the rights, was objectively reasonable, supported by the evidence, and a strong
14 enough position to justify denial of summary judgment.

15 **2. Storix Misstates Johnson’s Discovery Responses**

16 In making a second argument concerning Johnson’s unreasonable litigation
17 behavior, Storix points to a handful of discovery responses. Storix Memorandum
18 at 7-8: 13-27. Again, Storix’s position is incorrect. Storix fails to fully include
19 Johnson’s responses, which when viewed in their entirety, show that Johnson’s
20 responses were consistent and truthful.

- 21 • Storix argues that Johnson denied he ever represented that Storix had authority
22 to sell Storix, Inc. Software. Storix Memorandum at 8:1-8 (Dkt. 165-4, pp. 77-78,
23 RFA 15 and response). Again, Storix had such authority as a *licensee* of Johnson.
24 The objectionable RFA in question was ambiguous and asked a legal question – it
25 did not ask if Johnson wrote those words in a specific document, but instead asked
26 in general if Storix had been assigned the copyright rights. Because of the
27 ambiguity of the question, Johnson truthfully responded by specifically stating:
28 “...Responding Party has maintained exclusive ownership over his

1 software...Responding Party allowed Storix, Inc. to use, market, sell, and license
2 his software...” (Dkt. 165-4, pp. 78, RFA 15 response). Accordingly, Johnson
3 was truthful and consistent in his RFA response.

4 • Storix then argues that Johnson denied that Storix “shall retain an [sic] own all
5 right, title and interest in the Storix, Inc. Software...” Storix Memorandum
6 at 8:9-17 (Dkt. 165-4, pp. 80, RFA 18 and response). Storix also argues that
7 Johnson denied Storix had reserved all rights in the Storix, Inc. Software. Storix
8 Memorandum at 8:18-25 (Dkt. 165-4, pp. 80-81, RFA 19 and response). Again,
9 these objectionable RFA requests were ambiguous and sought an admission as to a
10 central legal issue in the case. Neither of these RFA requests pointed to a specific
11 document or specific statements in a document, but asked in general a central
12 question of the litigation – if Johnson had assigned over the copyright rights.
13 Johnson made clear in his response to RFA number 15, Storix was licensed all the
14 rights it needed, but Johnson maintained ownership. The statements Storix later
15 pointed to in documents were *not* inconsistent with that position.⁵

16 Storix’s ambiguous RFA questions were answered truthfully. Storix points to
17 snippets of responses to argue Johnson took objectively unreasonable positions,
18 leaving out Johnson’s objections and omitting key language from the responses.

19 Regardless, the Court agreed that Johnson’s position was reasonable as it denied
20 Storix’s summary judgment motion. Johnson was perfectly consistent by stating that
21 any such statements in documents were along the lines of a license, but he himself
22 retained ownership. Johnson denying ambiguous and objectionable RFA requests
23 does not make him unreasonable.

24 _____
25 ⁵ Storix then generally points to other alleged unreasonable discovery contentions
26 somewhere in its moving papers. Storix Memorandum at 8, n.4. There was no
27 citation by Storix, so it is unclear what it is referring to, but Johnson was consistent in
28 his positions, and to the extent there were any misstatements or misunderstandings in
discovery, they were inadvertent and readily corrected, such as in deposition.
Moreover, nothing in any discovery response shows Johnson was unreasonable in his
position – hence the denial of Storix’s summary judgment motion.

3. Storix Misstates Johnson’s Position Regarding Employment

Storix again misstates Johnson’s statement to claim that he denied being an employee. Storix Memorandum at 9:1-23. First, Storix fails to fully quote Johnson’s statement from his motion. It is clear Johnson was saying he was not an employee for the purposes of **the work-for-hire doctrine**.

Storix selectively quotes one sentence from Johnson’s motion where he said “Johnson was not an employee of Storix, Inc.” *Id.* But if Storix included the rest of the quote, it would be clear Johnson was referring to the work-for-hire doctrine. He went on to state that “[i]n *Woods*, the court concluded that an equal partner in a limited liability company was not an employee under the work-for-hire doctrine.” Dkt. 47-1 at 11:17-20. In fact, in that same paragraph, Johnson said he “was the president, sole director, and sole shareholder.” Thus, again, Storix points to bits and pieces of a pleading to try to claim Johnson litigated unreasonably. But looking at the entirety of the statement shows that Johnson was consistent in his position.

Second, and more importantly, the *Court agreed* with Johnson in that there was evidence that he was not an employee under the work-for-hire doctrine. In ruling on Storix’s summary judgment motion, the Court held that “The parties dispute whether Plaintiff Johnson was an employee *for purposes of the work for hire doctrine* when he contributed to new versions of SBA after Defendant Storix’s incorporation.” Order, Dkt. 84 at 11 (emphasis added). The Court then denied Storix’s motion as there were conflicting conclusions that could be reached on the facts. *Id.*

Given the Court agreed that a reasonable jury could also find that Johnson was not an employee under the work-for-hire doctrine, Johnson was not objectively unreasonable in maintaining that position.

4. Storix is Wrong about the Statute of Limitations

Storix’s final allegation of Johnson’s unreasonable litigation positions is that it was allegedly unreasonable to file suit when the statute of limitations had lapsed. Storix Memorandum at 10:1-23. Johnson’s position all along has been that Storix

1 had a license until Johnson terminated that license on July 24, 2014. As Johnson has
2 maintained Storix had a license until July 2014, no infringement could occur until
3 that time – well within the statute of limitations.

4 When Johnson began this litigation—and to this day—he believed Storix was a
5 licensee until that license was terminated. Thus, no statute of limitations could have
6 run until that license was terminated. Indeed, Storix had raised the statute of
7 limitations issue on summary judgment (Dkt. 50-1 at 15-16), and the Court denied
8 Storix’s motion, finding issues of material fact. Order, Dkt. 84 at 9:10 – 10:3
9 (“These, then, are also material disputes of fact inappropriate for summary
10 judgment”). This position would only have been unreasonable if Johnson had known
11 from the outset that his chances of winning were slim to none. *See SOFA Ent’m*,
12 709 F.3d at 1280. But the Court agreed that there was evidence supporting Johnson’s
13 position. That the jury found that the statute of limitations applied based on
14 conflicting evidence does not make his position unreasonable.

15 **II. THE TOTALITY OF THE CIRCUMSTANCES FAVORS JOHNSON**

16 Johnson showed in his Supplemental Brief that under *Kirtsaeng*, because
17 substantial weight is given the objective reasonable factor, fees should not be shifted
18 absent a clear and convincing showing that on-balance the other *Fogarty* factors
19 weigh heavily in favor of awarding fees. Johnson Supplemental Brief at pp. 2-4.
20 Storix did not articulate any analysis as to this weighing of the factors other than to
21 say that the “totality of circumstances” support a fee award, without any
22 consideration of the Supreme Court’s instruction to give objective reasonableness
23 substantial weight. Storix Supplemental Brief at pp. 13-14.

24 If the Court agrees Johnson was objectively reasonable, the other factors do not
25 justify a clear and convincing showing that fees should be awarded. Johnson spelled
26 out how those other factors support a denial of fees. Johnson Supplemental Brief at
27 pp. 7-12. For example, Storix’s conduct during litigation alone, justifies a denial of
28 fees even if Johnson was objectively unreasonable. *Id.* at pp. 8-10. Storix makes no

1 mention of the courts that have considered *Kirtsaeng* and denied fees based on
2 litigation conduct by the prevailing party. *See Countryman Nev. LLC v. Doe-*
3 *73.164.181.226.*, 2016 U.S. Dist. LEXIS 79172 (D. Or. June 17, 2016). Here,
4 Storix’s actions and gamesmanship were much more striking than in *Countryman*.

5 Looking at the other factors, they also favor Johnson. Johnson Supplemental
6 Brief at pp. 11-12. Accordingly, because Johnson was objectively reasonable, there
7 is no basis to overcome that finding and award fees. Conversely, if Johnson is
8 deemed to have been objectively unreasonable, the Court should decline fees based
9 on the clear showing concerning the other factors, especially Storix’s poor litigation
10 conduct, just as in *Countryman*.

11 **III. AWARDING STORIX ITS FEES GOES AGAINST THE GOALS OF** 12 **THE COPYRIGHT ACT**

13 “The primary objective of the Copyright Act is to encourage the production of
14 original literary, artistic, and musical expression for the good of the public.” *Fogerty*
15 *v. Fantasy, Inc.*, 510 U.S. 517, 524. The Supreme Court’s decision in *Kirtsaeng*
16 again instructs that “courts must view all circumstances of a case on their own terms,
17 in light of the Copyright Act’s essential goals.” 136 S. Ct. at 1989. These essential
18 goals include “encouraging and rewarding authors’ creations while also enabling
19 others to build on that work.” *Id.* at 1986, *citing Fogarty*, 510 U.S. at 526.

20 As the inventor of the copyright at issue, Johnson litigated to protect his rights.
21 *Kirtsaeng* serves as a reminder that the Copyright Act was envisioned to incentivize
22 inventors to protect their rights. By awarding fees against a plaintiff who has an
23 objectively reasonable case, only to have a jury disagree, discourages inventors from
24 protecting those rights and pursuing infringers. If fees are awarded, an author is
25 going to have to think twice about reasonably pursuing a known infringer, because if
26 a jury happens to disagree, fees would be awarded.

27 If anything, awarding fees here would discourage proper behavior. Storix could
28 have sought clarification about ownership of the copyright on numerous occasions. It

1 could have required that an assignment document be signed by Johnson (like Storix
 2 did for the trademark), or filed something with the Copyright Office stating it was the
 3 copyright owner, or listed the copyright on its accounting records and income taxes,
 4 or a host of other activities to demonstrate it owned the copyright. But Storix did
 5 none of these things. By awarding fees, the Court is incentivizing companies to not
 6 do the right thing, but rather just litigate ambiguous issues later on. Rewarding Storix
 7 for obtaining a jury verdict in an objectively close case that a jury could have decided
 8 either way, when Storix could have acted properly in the first place if it truly believed
 9 its position, does *not* further the goals of the Copyright Act.

10 Storix further argues a list of alleged benefits exist from the litigation, all
 11 centering around a finding that it is the owner. Storix Memorandum at 11-12.
 12 However, any “cloud” on the ownership issue was Storix’s own doing because it did
 13 *not* act like it was a true owner. The Copyright Act is better served when companies
 14 take appropriate steps, such as recording an assignment with the Copyright Office,
 15 instead of only trying to claim ownership after being sued. Awarding fees here
 16 would only incentivize bad behavior and discourage authors who reasonably believe
 17 they are the owner of copyright rights from bringing a lawsuit against an infringer.

18 **IV. CONCLUSION**

19 The Supreme Court’s clarification that the objective reasonableness factor should
 20 be given substantial weight strongly favors a denial of fees. The other factors do not
 21 demonstrate that the substantial weight given that factor be overturned. Thus, based
 22 on Johnson’s reasonable litigation position and Storix’s poor litigation conduct, the
 23 Supreme Court’s decision begs denial of Storix’s fee motion.

24 Dated: August 1, 2016

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25 By s/Andrew D. Skale
 26 Andrew D. Skale
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27 Attorneys for Plaintiff
 28 ANTHONY JOHNSON

CERTIFICATE OF SERVICE

I, the undersigned, certify and declare that I am over the age of 18 years, employed in the County of San Diego, State of California, and am not a party to the above-entitled action.

On August 1, 2016, I filed a copy of the following document:

PLAINTIFF’S REPLY SUPPLEMENTAL BRIEF REGARDING THE UNITED STATES SUPREME COURT DECISION IN *KIRTSAENG V. JOHN WILEY & SONS, INC.*’S EFFECT ON STORIX, INC.’S MOTION FOR ATTORNEYS’ FEES (DKT. 165)

by electronically filing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

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Executed on August 1, 2016, at San Diego, California. I hereby certify that I am employed in the office of a member of the Bar of this Court at whose direction the service was made.

By s/Andrew D. Skale
Andrew D. Skale