No. 16-55439

United States Court of Appeals
for the
Ninth Circuit

ANTHONY JOHNSON,

Plaintiff-Counter-Defendant-Appellant,

– v. –

STORIX, INC., a California Corporation,

Defendant-Counter-Claimant-Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTHERN CALIFORNIA (SAN DIEGO)
DISTRICT COURT CASE NO. 3:14-cv-01873-H-BLM

BRIEF FOR PLAINTIFF-COUNTER-DEFENDANT-APPELLANT

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I. INTRODUCTION

Appellant Anthony Johnson spent most of his career building his software, "SBAdmin," the subject of this lawsuit. He formed the corporation, Appellee Storix, Inc., to sell copies of that software, but he retained all copyright interests in the software. When Johnson fell terminally ill, having been given a less than a 3% chance of survival, he generously gifted 60% of Storix's shares to four employees. Miraculously, Johnson ultimately recovered from that illness and returned to Storix. The new 60% owners, however, threw up numerous obstacles to Storix's success, and ultimately Johnson was forced to quit.

Storix responded by claiming that it owned the SBAdmin copyrights. In the district court, Storix relied on a single sentence in a 2003 Annual Statement of Storix, signed by the President of Storix (Johnson). All parties and the district court conceded at every stage of the proceeding that this was not a written assignment that satisfies Section 204(a)'s writing requirement for copyright assignments. Instead Storix claimed it satisfied Section 204(a) of the Copyright Act's requirement because it was a note or memorandum of a previous copyright transfer signed by the owner of the copyright.

In its summary judgment motion and at trial, Storix admitted that it was relying on a variety of extrinsic evidence – course of conduct, statements by Storix over the years, and even copyright notices – to show the 2003 Annual Statement

was intended to memorialize a transfer of the SBAdmin copyright to Storix. Yet, the caselaw establishes that such extrinsic evidence cannot satisfy the clear and unambiguous writing required by Section 204(a).

The 2003 Annual Statement fails under the explicit requirements of Section 204(a) of the Copyright Act. While no magic words must be used to transfer a copyright, Section 204(a) requires that the writing be clear, contemporaneous, and comport with the statute's directive to provide predictability and certainty of copyright ownership. Storix failed to satisfy these statutory requirements. The district court should have granted Johnson summary judgment on this issue, should have never submitted the issue to the jury, and should have granted his motion for new trial when the jury erred. The district court further erred in providing an erroneous instruction to the jury on this crucial issue of copyright assignment.

Assuming the judgment is not reversed for these errors, the fee award to Storix should still be reversed. The district court misapplied the Supreme Court's recent attorney's fee decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979 (2016). The district court found Johnson's case was objectively reasonable and not frivolous. But it nonetheless awarded attorneys' fees to Storix. The district court did so because it erroneously measured Johnson's motives against some unknown subjective standards of fairness, and decided such motivations should be deterred. But Johnson acted like a copyright owner – an impassioned

owner, fighting to save his life's work. His motivations were neither improper nor deserving of the sort of deterrence that overcomes the substantial weight afforded the factors favoring Johnson under *Kirtsaeng*.

The judgment should be reversed, and if not, at a minimum the award of fees should be reversed.

II. STATEMENT OF JURISDICTION

The district court and this Court have subject-matter jurisdiction over this case pursuant to the Copyright Act of 1976, 17 U.S.C. §§ 101 et seq. and 28 U.S.C. §§ 1331 and 1338(a).

This Court has jurisdiction over this appeal pursuant to 29 U.S.C. § 1291 because the judgment below is a final judgment of the district court. Judgment was entered on December 18, 2015; the Motion for New Trial was denied on February 23, 2016, and the original notice of appeal was filed on March 23, 2016. The district court granted in part and denied in part Storix' Motion for Attorneys' Fees and Costs on August 17, 2016, and an Amended Notice of Appeal was filed on September 13, 2016. The district court issued a further order on the amount of fees and costs on October 31, 2016, and entered an amended judgment on November 16, 2016. Appellant filed a Second Amended Notice of Appeal on November 22, 2016.

III. STATEMENT OF ISSUES PRESENTED FOR REVIEW

1. Whether the district court erred in failing to find that Section 204(a) of the Copyright Act mandated summary judgment in Johnson's favor or a new trial, because the 2003 Annual Statement was not an instrument of conveyance, was not signed by Johnson in his individual capacity as owner of the copyrights in SBAdmin through Versions 4.1, and did not contain the clear, unambiguous and contemporaneous substance required for a note or memorandum of copyright transfer in an ownership dispute between the purported assignor and assignee;

2. Whether the question of whether a writing exists which satisfies Section 204(a)'s requirements to establish a transfer of Copyright ownership is a question of law for the judge or a question of fact for the jury;

3. Whether the district court erred in giving Jury Instruction No. 34, because in providing the jury with the standard for assessing whether a transfer complies with Section 204(a)'s writing requirement, the instruction misstated the effect and import of extrinsic evidence including course of conduct, usage of trade, and course of performance, and improperly suggested that an ambiguous writing

could nevertheless satisfy Section 204(a) because it was broad enough that resorting to extrinsic evidence might resolve the ambiguity;

4. 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.

IV. STATEMENT OF THE CASE

A. The Relevant Facts Leading Up to This Litigation

1. The SBAdmin Software, Storix's Formation and Storix's 2003 Annual Statement

SBAdmin is a software application for backing up files stored on user computers. [AR VIII:1558 at ¶ 23.][1] Johnson created the first version of the software in 1998. [AR VIII:1558-1559 at ¶ 24; AR VI:1130-1138.] At this time, Johnson was a sole proprietor doing business under the name "Storix Software." [AR VIII:1448:2-14; AR VII:1357.1; ARVII:1358; AR VI:1130-1138.]

In late 1999, Johnson released SBAdmin version 1.3 and registered the same with the United States Copyright Office ("SBAdmin"). [AR VII:1359-1362; AR VIII:1468-1469 at ¶ 13.] The copyright registered as Registration No. TXu000988741 to Anthony Johnson dba Storix Software. [AR VII:1359-1362.] At that time, Johnson was still doing business as "Storix Software" (not having

[1] Cites to Appellant's Excerpts of Record are referred to herein as "AR" with the volume roman numeral appearing immediately after, followed by the page and line number (e.g. "AR VolumeNumeral:Page#:Line#).

formed any separate legal entity). By December 2002, Johnson had prepared and sold SBAdmin versions 2.1 through 4.1, all derivative works of the original (collectively, all versions through 4.1 being the "Original Work"). [AR VIII:1468-1469 at ¶ 13; AR VIII:1474:5-1476:4, 1477:6-10, 1478:4-25; 1479:2-11.]

In January 2003, Johnson formed Storix, Inc. as a vehicle to continue selling his software. [AR VII:1363-1364; AR VIII:1480:21-1481:6; AR VI:1186.]

In March 2004, Storix, Inc. prepared and finalized its 2003 annual statement (hereafter "2003 Annual Statement"). Storix's 2003 Annual Statement states the "Annual report has been prepared by Anthony Johnson, President of Storix, Inc. for presentation to and filing by Anthony Johnson, Secretary at the annual shareholder's meeting." [AR VII:1324; AR II:194.][2] It is signed only by "Anthony Johnson ***President***." [*Id.* (emphasis added).] One sentence in the Annual Statement reads: "All assets from Storix Software were transferred to Storix, Inc., as of its incorporation of February 24, 2003." [*Id.*] Johnson's copyrights were not listed. [*Id.*] Because Storix, Inc. was wholly owned by Johnson, and did not purchase anything from Johnson, Johnson had no reason to transfer the copyright from his personal ownership to that of his wholly-owned corporation.

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[2] The two citations are to the two copies of the same document in the record.

Related documents and events corroborated that the 2003 Annual Statement did not include copyrights in SBAdmin, including: (1) Other pre-existing intellectual property related to SBAdmin was assigned by separate assignment three years later in 2006, (AR VII:1365-1367); (2) Storix submitted no evidence that it notified the Copyright Office of a copyright transfer at any time; (3) Johnson devised the SBAdmin copyright separately in his estate plan, a plan prepared long before this ownership controversy arose, (AR VIII:1456:19-25, 1459:7-11; *see also* AR VIII:1458:4-24, 1459:18-1460:3; AR VII:1368); and (4) the Storix accounting records did not show any copyrights on its books despite showing cash totaling $137,987.72, (AR VIII:1564; AR VIII:1570; AR VIII:1508) (*see also* AR VI:1185, 1197-1198). Further, it is clear that the phrase "all assets" in the 2003 Annual Statement did not include all of Johnson's personal assets such as things like his car or clothing, and thus "all assets" did not include all of Johnson's assets. [AR II:90.]

2. Johnson Became Ill, Gifted 60% Ownership in Storix to Certain Employees, and Resumed Work With the Company after an Astonishing Recovery

After years of successfully growing Storix while serving as its president, sole director and sole shareholder, Johnson was diagnosed with late-stage cancer and given only a 3% chance of survival. [AR VIII:1450:10-18, 1462:2-6; AR VI:1207-1219.]

Not knowing when, if ever, he would be able to return to the company, and believing that David Huffman was a loyal and trustworthy employee, Johnson decided that he would step down as President and allow Mr. Huffman to fill that role during his medical leave. [AR VIII:1450:10-1451:6.] Additionally, Johnson decided that he would give certain long-time employees substantial stock in the company as a gift prior to going on medical leave. Specifically, Johnson transferred, at no cost to the employees, 60% of the outstanding stock to Mr. Huffman, Mr. Manuel Altamirano, Mr. David Kinney, and Mr. Richard Turner, thereby reducing his ownership in the company to 40%. [AR VIII:1564; AR VII:1369-1375; AR VIII:1510-1513; AR VIII: 1514-1517; AR VIII:1518-1521; AR VIII:1522-1525; AR VIII:1506; AR IV:584.]

While on medical leave, Johnson continued to develop the software and contribute to the overall business of Storix, Inc. [AR VIII:1487:11-1488:18; AR VIII:1526.] When Johnson returned to work full time with a miraculous clean bill of health in 2013, he began research into a large "network security" project in furtherance of the company's plan to expand into "cloud computing" or "remote backup site" environments and develop a new version of the software, version 9.1, which included enhanced network security features. [AR VIII:1453:8-1454:5; AR VIII:1527-1537.] Johnson worked by himself, without involvement from anyone else, to research, test, and develop version 9.1. [AR VIII:1452:13-20.] While

Johnson worked on version 9.1, the other development staff at Storix, Inc. worked concurrently on SBAdmin version 8.2. [*Id.*; AR VIII:1538-1539.]

The features Johnson developed during this time period were critical to the software to address major security threats when used in a wide-area-network environment. [AR VIII:1530 (recognizing that the current software (SBAdmin version 8.2) is vulnerable to network security threats and that fundamental changes need to be implemented to enhance the network security of the product); AR VIII:1503:11-13; AR VIII:1542:2-1543:16.]

3. Johnson By Necessity Left Storix and Withdrew All Permissions to Use of the SBAdmin Copyright, And This Lawsuit Followed

Despite Johnson's critical and timely improvements to the SBAdmin software, the board members—without any reasonable inquiry, investigation, testing, or otherwise independent analysis of Johnson's work—rejected and refused to implement any such network security features, claiming they were not necessary. [AR VIII:1491:2-1492:3.] When Johnson tried to exercise his rights as the owner of the copyright in the software, to control the design of the works, these Storix board members denied him that right and claimed that Johnson was no longer "in a management position." [AR VIII:1491:8-1492:3, 1495:4-1496:13, 1498:15-24.]

By mid-2014, it became clear to Johnson that the other board members of Storix, Inc. were making decisions that jeopardized the value of his work and were

inconsistent with his rights as the sole author and owner of the copyright in the software. [AR VIII:1489:1-19, 1491:2-1492:3, 1495:4-1496:13; 1498:15-24.] Accordingly, Johnson gave his notice of resignation from Storix on May 8, 2014. [AR VIII:1546; AR III:548-549.] Included in the reasons for him resigning were how he was treated and the mismanagement and neglect of the software. [AR VII:1376-1377; AR VII:1378.]

Johnson also went to great lengths to try to informally resolve the matter without having to resort to legal action. [AR VII:1379-1380; AR VII:1381-1382.] Johnson explained to the board members that he was the owner of the copyright, that he never transferred the copyright to Storix, Inc., that he never received consideration for any license of the copyright, and that Storix, Inc. no longer has any permission to continue to use his copyrighted materials to create new derivative works. [AR VII:1379-1380; AR III & IV:552-559.] The board members, however, refused to respond or otherwise address Johnson's concerns.

With no other option, Johnson was forced to take formal action. On July 22, 2014, Johnson's attorney sent a letter notifying Storix, Inc. that Johnson is the sole owner of the copyright in the software and that Storix, Inc.'s continued use of protected elements from the Original Work to create, market, and sell subsequent versions of SBAdmin amounts to copyright infringement. [AR VII:1383-1385.] A few days later Storix, Inc. responded by denying any infringement and claiming

that Storix, Inc. owned all versions of the software, including the versions Johnson developed and released prior to the formation of Storix, Inc. [AR VIII:1547-1550.] Johnson commenced this copyright infringement litigation shortly thereafter. [AR VII:1415-1423.] Storix continued to use the SBAdmin software throughout this case. [AR VII:1386-1388, 1389-1392, 1393-1395.]

B. The Relevant Proceedings Below

Johnson filed this action on August 8, 2014, alleging federal copyright infringement, contributory copyright infringement, and vicarious copyright infringement, based on Storix's unauthorized use of SBAdmin. [AR VII:1415-1423.] Storix answered and brought counterclaims seeking declaratory relief (1) of non-infringement and (2) that Storix was the owner of all copyrights in any version of the SBAdmin software. [AR VII:1396-1414.]

1. The Denial of Johnson's Motion for Summary Judgment

The parties proceeded through fact discovery and brought cross-motions for summary judgment in October 2015. [AR VI:1288-1290; AR VII:1291-1323; AR VII:1325-1357.] Because Storix was still selling derivative versions of the SBAdmin software, a central issue to Johnson's claims of infringement and Storix's claims of ownership and non-infringement was whether Johnson had transferred his copyright interests in the Original Work to Storix. [*Id.*]

Storix contended that the writing requirement for copyright transfers under Section 204(a) was satisfied solely by Storix's 2003 Annual Statement (even

though it was not itself an instrument of conveyance, was only signed by Johnson in his corporate capacity, and did not satisfy the substantive requirements for such a transfer). [AR VI:1268:7-16.] Rather than deciding whether the 2003 Annual Statement met Section 204(a)'s requirements as a matter of law, the district court noted the various pieces of extrinsic evidence proffered on summary judgment (noted above) and found that "there are numerous triable issues of material fact regarding ownership" that precluded summary judgment "for either side." [AR VII:1270:17-23.]

2. The Question of Section 204(a) Was Then Submitted to the Jury At Trial, and Resolved by the Jury Against Johnson Based on a Jury Instruction Misstating the Law

The case proceeded to trial in December 2015. [AR VI:1263.] Much the same evidence was submitted at trial as was submitted on summary judgment.[3] [*See above* Sections IV(A)(1)-(3).]

The sufficiency of the 2003 Annual Statement was submitted to the jury with the following Jury Instruction No. 34:

> A transfer of copyright ownership must be accomplished in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent. The word "copyright" need not be used, so long as the writing reflects a transfer of assets broad enough to include a copyright. The meaning of terms set forth in a note or memorandum of transfer may be interpreted and explained by course of dealing or usage of trade or by course of performance. It is for you to decide whether a

[3] There were exceptions. For example, while Johnson's will was not submitted, testimony was received concerning the contents of his will.

> copyright owner intended to transfer ownership by all the evidence in the case.

[AR III:339.]

Applying this instruction, the jury found that the copyright in the Original Work had been transferred, that the subsequent versions of the SBAdmin software created by Johnson were works-for-hire for Storix, and that the claim of infringement by Johnson was time-barred. [AR II:220.]

3. Johnson Made a Timely Motion for New Trial Based on the Insufficient 2003 Annual Statement and Jury Instruction No. 34, Which Was Erroneously Denied

Johnson brought a motion for new trial under Rule 59. [AR II:146-169.] Johnson argued that the legal issue of Section 204(a)'s satisfaction should not have been submitted to the jury. [*Id.*] Johnson also argued that the evidence could not support a finding that Section 204(a) was satisfied in light of the 2003 Annual Statement. Lastly, Johnson argued that Jury Instruction No. 34 had misinformed the jury. [*Id.*]

On February 23, 2016, the district court denied that new trial motion. It found that the jury properly considered whether the 2003 Annual Statement was a writing sufficient to memorialize the transfer of copyright in the Original Work, using extrinsic evidence to resolve any ambiguities. [AR II:89-93.] The Court found that Jury Instruction No. 34 "was an accurate statement of the law." [*Id.*] The district court's explanation for the jury instruction (save the first sentence) was

based entirely on contract interpretation principles and caselaw generally involving arms-length contracts for sale or license – not Section 204(a) law applicable to notes or memoranda of transfer. [*Id.*]

4. The District Court Granted Storix's Attorneys' Fees, Although Its Factual Findings and Supporting Evidence Deprived It of the Reasonable Discretion to Do So

After the district court entered judgment on the jury verdict, Storix applied for its fees under Section 505 of the Copyright Act. [AR II:171.] The district court accepted briefing before ruling that Storix should be awarded a portion of its attorneys' fees. [AR I:4-19.]

The district court found that Johnson had acted objectively reasonably and without frivolousness. [AR I:9-12, 15] Nevertheless, it found that his motive and considerations of deterrence justified an award of fees, because Johnson had contacted Storix's customers, employees and managing shareholders during the litigation and after the jury verdict. [AR I:13-14.] However, these actions were simply actions that an asserted owner of a copyright would take, and not indicative of some sort of improper motive or litigation conduct warranting deterrence under the Copyright Act.

On October 31, 2016, the district court awarded Storix $543,704 in attorneys' fees and costs. [AR II:78.] On November 16, 2016, it entered an amended judgment in the amount of $555,118.64 in favor of Storix and against Johnson. [AR I:3.]

C. Johnson Timely Appealed

Preserving these issues for appeal, Johnson timely filed his notice of appeal on March 23, 2016, and his second amended notice of appeal on November 22, 2016. [AR II:20-23; AR II:24-27; AR II:95-98.]

V. STANDARD OF REVIEW

This appeal encompasses three areas of review: (1) review of an order denying summary judgment; (2) review of an order denying new trial; and (3) review of an order granting attorneys' fees under Section 505 of the Copyright Act.

First, this Court reviews a grant or denial of summary judgment de novo. *Williams v. Nat'l Union Fire Ins. Co.*, 792 F.3d 1136, 1139 (9th Cir. 2015).

Second, in reviewing the denial of a motion for new trial, questions of law, including interpretation of the Copyright Act, are reviewed *de novo*. *See UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 718 F.3d 1006, 1014 (9th Cir. 2013); *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1109 (9th Cir. 2007. When issues of law predominate in the district court's decision, the decision is reviewed *de novo*. *United States v. Mateo-Mendez*, 215 F.3d 1039, 1042 (9th Cir. 2000).

The district court receives no deference on matters reviewable by *de novo* review, and this Court views the district court's ruling as if no decision had previously been rendered. *Barrientos v. Wells Fargo Bank, N.A.*, 633 F.3d 1186, 1188 (9th Cir. 2011); *Lawrence v. Dep't of Interior*, 525 F.3d 916, 920 (9th Cir. 2008). Mixed questions of law and fact – questions of whether facts satisfy an

undisputed rule of law – are also generally reviewed *de novo*. *See Pullman-Standard v. Swint*, 456 U.S. 273, 289 n.19 (1982).

Finally, the district court's calculation of and decision to award attorneys' fees under the Copyright Act are reviewed for an abuse of discretion. *See Cadkin v. Loose*, 569 F.3d 1142, 1146-47 (9th Cir. 2009); *Perfect 10, Inc*., 488 F.3d at 1109. The court's findings of fact underlying the fee determination are reviewed for clear error. *See Smith v. Jackson*, 84 F.3d 1213, 1221 (9th Cir. 1996). Any legal analysis or statutory interpretation pertaining to attorneys' fees is reviewed *de novo*. *Entm't Research Grp., Inc. v. Genesis Creative Grp., Inc.,* 122 F.3d 1211, 1216 (9th Cir. 1997).

VI. SUMMARY OF ARGUMENT

The denial of summary judgment and new trial hinged on the validity of the assignment of the SBAdmin copyright from Johnson to Storix. Section 204(a) of the Copyright Act protects copyright owners by creating minimum standards for a signed writing purporting to document the transfer of a copyright. The signature requirement failed here because Johnson did not sign Storix's 2003 Annual Statement in his individual capacity. The requirements of contemporaneity and substance were also not satisfied, as the Annual Statement came a year after any supposed transfer, concerned an oral transfer, and did not specify any of the

supposed essential terms of transfer. Johnson's requests for summary judgment and new trial should have been granted.

Compounding this substantive error was the district court's procedural error at trial, also warranting reversal. The district court made the first error of submitting the Section 204(a) issues to the jury, the wrong solution to the finding that the 2003 Annual Statement's single sentence was ambiguous. The district court also erred by giving Jury Instruction Number 34. The jury instruction incorrectly stated that as long as a document's language was broad enough to include copyrights, that was sufficient. The jury instruction also instructed the jury that it could use extrinsic and circumstantial evidence to satisfy the copyright assignment requirements. This error more likely than not influenced the jury's determination on the issue of copyright assignment. These errors also likely influenced the jury's determinations on the issues of work-for-hire and the statute of limitations. A new trial should have been granted due to these two procedural errors.

Finally, even if the judgment is affirmed, the fee award should be reversed. The district court found that Johnson's case was objectively reasonable and not frivolous. The substantial weight required of these findings under the Supreme Court's recent *Kirtsaeng* decision made it an abuse of discretion to nevertheless award fees. That fee award was based on the district court's attempt to decipher

Johnson's motives and then define those motives as warranting deterrence. This abuse of discretion warrants reversal of the fee award.

VII. ARGUMENT

A. Summary Judgment and a New Trial Were Erroneously Denied Because Storix's 2003 Annual Statement Does Not Satisfy Section 204(a) as a Matter of Law

Copyright transfers are "not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent." 17 U.S.C. § 204(a). As addressed below, Storix's 2003 Annual Statement did not satisfy Section 204(a)'s writing requirement because it was not signed by Johnson as the owner of the SBAdmin copyright and did not contain the minimum requirements to constitute a note of memorandum of transfer of that copyright. The district court thus erroneously denied Johnson's motion for summary judgment and motion for new trial.

1. The 2003 Annual Statement Failed to Satisfy Section 204(a) as a Matter of Law Because It Was Not Signed by the Copyright Owner

The 2003 Annual Statement was the lone document advanced as satisfying Section 204(a).[4] [AR II:91:6-22.] One sentence in the 2003 Annual Statement of Storix was relied upon, and the document was signed by the President of Storix.

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[4] As noted above, Storix has pointed to other extrinsic documents to allegedly interpret the 2003 Annual Statement, but Storix never advanced some other document as satisfying Section 204(a).

[AR II:194.] Even though Johnson was the President of Storix, he signed the 2003 Annual Statement solely in his corporate capacity as President of Storix. [*Id.*] The document cannot as a matter of law satisfy Section 204(a).

The crucial issue in both the district court's denial of summary judgment and denial of new trial was whether Storix's 2003 Annual Statement satisfied Section 204(a)'s writing requirement. [AR VI:1264; AR II:86.] Even when a writing otherwise satisfies Section 204(a), the writing still must be signed "by the owner of the rights conveyed or such owner's duly authorized agent." 17 U.S.C. § 204(a). A recipient or assignee cannot satisfy Section 204(a) by itself signing a note or memoranda declaring it is the assignee of the copyright.

For a writing to satisfy Section 204(a), it must be "signed by the owner of the rights conveyed or such owner's duly authorized agent." 17 U.S.C. § 204(a). But Storix's 2003 Annual Statement states the "Annual report has been prepared by Anthony Johnson, President of Storix, Inc. for presentation to and filing by Anthony Johnson, Secretary at the annual shareholder's meeting." [AR VII:1324.] It is signed only by "Anthony Johnson President," not in his individual capacity. [*Id.*]

Storix's position depends on assigning Johnson's copyrights to itself. Storix's President signed Storix's Annual Statement. Anthony Johnson in his personal capacity did not. It is *Storix's* annual statement, "prepared by Anthony

Johnson, President of Storix," and signed by "Anthony Johnson President." [*Id.*] Whether the President of Storix also happened to be the copyright owner is immaterial, because the signature was in the corporate capacity. [AR VI:1176-1178.]

Laws relating to the statutes of frauds require that the person against whom enforcement is sought must have signed the document. *See, e.g.*, Cal. Civ. Code 1624 (the writing must be "subscribed by the party to be charged or by the party's agent"). This Court previously held, in interpreting these signature requirements, that a signature by individuals "only in their capacities as corporate agents" is not a signature of the individual. *Showcase Realty, Inc. v. Whittaker*, 559 F.2d 1165, 1167 (9th Cir. 1977) (affirming summary judgment ruling that, because appellees signed the agreement only in their capacity as corporate officers, the agreement did not satisfy the statute of frauds as to appellees individually).

District courts have applied this rule to reject disqualifying signatures at the pleadings stage. In *Gauba v. Florence Hosp., LLC*, 2013 U.S. Dist. LEXIS 22109 (D. Ariz. Feb. 19, 2013), the court granted a motion to dismiss because the statute of frauds was not satisfied against an individual who signed in his corporate capacity. There the individual signed a loan agreement as a manager of a corporation. *Id.* at *5-6. Even though the agreement might concern the individual signatory, this "does not, however, displace the statute of frauds because [the

individual] did not sign [] in his personal capacity." *Id.* The court rejected plaintiff's argument that "it is 'morally offensive' that a signatory should be allowed to avoid his clear and straightforward promise, because he signed his name only once, rather than twice []." *Id.* This requirement for a signature in the signatory's individual capacity "is what the statute of frauds provides." *Id.*

These cases follow the general rule that an officer signing in his corporate capacity is the signature of the corporation's signature, and is not a signing in his or her individual capacity. *See* Restatement 3d of Agency, § 6.01 at Cmt. C ("Corporate or other organizational agents, like agents for other disclosed principals, are not parties to a corporate contract unless the agent and the third party so agree."); *Wired Music, Inc. v. Great River S.B. Co.*, 554 S.W.2d 466, 470 (Mo. Ct. App. 1977) ("his signature is that of the corporation alone and does not meet the statute of frauds requirement that the instrument be signed by the party to be charged") (citing omitted). "[W]here individual responsibility is demanded the nearly universal practice is that the officer signs twice – once as an officer and again as an individual." *Salzman Sign Co. v. Beck*, 176 N.E.2d 74, 76 (N.Y. 1961) (statute of frauds not satisfied). Applying this rule, even the individual signer's agreement or disagreement with the positions taken in the agreement are "not relevant to his signing it on behalf of" the principal, and he has no duty to "speak up" if he disagrees with what is being signed. *Israel v. Chabra*, 537 F.3d 86, 98

(2d Cir. 2008) (signature in corporate capacity had no effect on individual's ability to later object to amendment).

Section 204(a) demands the same result. The writing must be "signed by the owner of the rights conveyed." 17 U.S.C. § 204(a). It is not satisfied by a signature in one's corporate capacity when the owner is an individual. "The rule is really quite simple: if the copyright holder agrees to transfer of ownership to another party, that party must get the ***copyright holder*** to sign a piece of paper saying so." *Effects Associates, Inc. v. Cohen*, 908 F2d 555 (9th Cir. 1990) (emphasis added); *see also Tacori Enters. v. Rego Mfg.*, 2008 U.S. Dist. LEXIS 73686 (N.D. Ohio Sept. 25, 2008) (recognizing that document's signature in corporate capacity may not satisfy Section 204(a), but failing to resolve the issue in light of another document that did satisfy Section 204(a)). A signature by an individual in his or her corporate capacity who also happens to be the owner of the copyright is not a signature by the owner of the copyright.

Because the 2003 Annual Statement of Storix was signed by Storix's President in his corporate capacity, it could not as a matter of law satisfy the requirement of Section 204 that the note or memorandum be "signed by the owner of the rights conveyed." 17 U.S.C. § 204(a). The summary judgment and new trial orders should be reversed.

2. The Substantive Requirements of Section 204(a) Mandated Summary Judgment for Johnson and a New Trial, Both of Which the District court Erroneously Denied

Johnson and Storix filed cross-motions for summary judgment on the issue of copyright ownership. [AR VII:1291-1323; AR VII:1328-1357.] After the issue was decided at trial, Johnson also requested a new trial on the issue. [AR II:87:5-18.] Regardless of whether there was evidence from which a jury might believe a transfer was intended, Section 204(a)'s requirements had to be satisfied for a valid assignment to have occurred. Storix's 2003 Annual Statement failed to do so as a matter of law for at least six reasons: (1) Even more explicit language has been found not to satisfy Section 204(a) as a matter of law; (2) Internal company documentation such as an annual statement does not qualify as a memorandum23 of contract; (3) The Annual Statement was signed over a year after any supposed copyright transfer; (4) The Annual Statement is neither clear nor unambiguous; (5) Extrinsic evidence could not cure its deficiencies; and (6) The Annual Statement was never intended as the copyright owner's memorandum of contract.

"A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent." 17 U.S.C. § 204(a). Section 204(a) thus requires either (1) an instrument of conveyance, or (2) a note or memorandum of transfer.

Storix's internal 2003 Annual Statement contained the following sentence: "All assets from Storix Software were transferred to Storix, Inc., as of its incorporation of February 24, 2003." [AR VII:1324; AR II:194.] While no magic medium or language must be used, the 2003 Annual Statement does not meet the benchmarks of sufficiency established by caselaw. This is particularly so in a note or memorandum after the fact, where the parties to the alleged agreement dispute ownership of the copyright: "[W]hen courts have found the post-deal writing sufficient, the party challenging the writing has been an alleged infringer who is an outsider to the deal." *Lyrick Studios, Inc. v. Big Idea Prods.*, 420 F.3d 388, 394 (5th Cir. 2005). In such case, lower standards permitted in instances of third party infringers do "not apply here, and the cases themselves are not relevant." *Id.* With this in mind, the stringent requirements for such notes or memorandum are addressed below.

First, the Second Circuit has held that a statement on the back of a check reading "payee acknowledges payment in full for the assignment to Playboy Enterprises, Inc. of **all right, title, and interest** in and to [certain] items" made it "impossible to discern the intent of the parties from the language…" *Playboy Enters. v. Dumas*, 53 F.3d 549, 557 (2d Cir. 1995) (emphasis added). In the *Playboy* case, the assignee at least could argue the check was for a specific work to which it claimed copyright ownership had been transferred. *Id.* The 2003 Annual

Statement is far less clear. It did not identify the specific software in which copyrights were allegedly transferred and, instead, uses the vague phrase, "all assets." *See also MVP Entertainment, Inc. v. Frost*, 210 Cal. App. 4th 1333 (2012) (holding that, after negotiations concerning a copyright, an email stating "done…thanks!" was insufficient to have transferred the copyright). What aspect of what assets were transferred cannot be discerned from the Annual Statement.

Second, internal memoranda do not qualify as memorandum of contract, at least not where the alleged assignor and assignee dispute ownership as between themselves. For example, the Fifth Circuit held in *Lyrick* Studios, that a "purely internal memo" that was never intended for distribution failed Section 204(a), because using an internal memo to satisfy the requirements of Section 204(a) "would not further the copyright goals of predictability of ownership." 420 F.3d 396. Storix's 2003 Annual Statement was not a memorandum intended for distribution. It was an item prepared by the President of Storix, which by its own terms was intended for "filing" in internal records. [AR VII:1324 (first sentence); AR VI:1081.] The sentence itself was just a "general note[]." [AR VII:1324.] This internal note cannot satisfy Section 204(a) in a later dispute between the alleged assignor and assignee.

Third, this Court has held that contemporaneousness is an important requirement of Section 204(a). In *Konigsberg Intl.*, even though there was an

unsigned contemporaneous agreement, an email well after the fact confirming the agreement was "honored to the letter" came too late to satisfy Section 204(a)'s writing requirement. 16 F.3d at 356. A Section 204(a) "writing in question must, at the very least, be executed more or less contemporaneously with the agreement." *Id.* at 357.[5] Whatever previously transferred assets were purportedly referenced in the 2003 Annual Statement, they were allegedly "transferred to Storix Inc., as of its incorporation of February 24, 2003." [AR VII:1324.] The Annual Statement is dated March 15, 2004, over a year later. This does not satisfy the contemporaneity requirement for a note or memorandum of transfer offered in a later ownership dispute between the purported assignor and assignee.

Fourth, this Court also has held that the writing itself "must be a product of the parties' negotiations" and should provide a clear "guidepost for the parties to resolve their disputes" about what their mutual intentions were. *Konigsberg Intl.*,

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[5] The district court relied on a statement in *Jules Jordan Video, Inc. v. 144942 Canada, Inc.*, 617 F.3d 1146, 1156 (9th Cir. 2010) suggesting that Section 204(a) permits an assignment "confirmed later in writing." [AR II:88:23-25.] The observation in that case was made while resolving a work-for-hire issue under Section 101, and the Court specifically limited its rationale to instances where the party asserting the deficiencies is an infringer (e.g., where the owner and transferee did not contest ownership). The *Konisberg Int'l* decision is the binding authority here, because it squarely addressed the contemporaneity requirement under Section 204(a), found it was necessary to "serve the[] functions" of Section 204(a), and rejected a writing that did not comport with the statute. *Konigsberg Intl.*, 16 F.3d at 357. Also, as is the case here (and unlike *Jules Jordan*), *Konigsberg Intl.* addressed the rules applicable in a subsequent dispute between the owner and purported transferee. *Id.*

16 F.3d at 357. "[T]he requirement that the instrument of transfer be 'clear' finds frequent emphasis in other section 204(a) decisions" and "many courts have stated that, to be valid, a section 204(a) writing must be clear." *Foraste v. Brown Univ.*, 290 F. Supp. 2d 234, 240 (D.R.I. 2003). Put another way, "any ambiguity in the transfer document must be construed in favor of the original copyright holder in order to avoid such inadvertent transfers." *Bieg v. Hovnanian Enters., Inc.*, 157 F. Supp. 2d 475, 480 (E.D. Pa. 2001) (citing *Effects Assocs.*, 908 F.2d at 557 and *S.O.S., Inc. v. Payday, Inc*., 886 F.2d 1081 (9th Cir. 1989)).

In *Pamfiloff v. Giant Records, Inc.*, 794 F. Supp. 933 (N.D. Cal. 1992), the court further articulated certain key guideposts for Section 204(a). Specifically, the *Pamfiloff* court explained that a Section 204(a) writing must at least: "(1) reasonably identify the subject matter of the agreement, (2) be sufficient to indicate that the parties have come to an agreement, and (3) state with reasonable certainty the essential terms of the agreement." *Id.* at 936. These "*Pamfiloff* requirements" have been acknowledged by many courts. *See, e.g.*, *Saenger Org. v. Nationwide Ins. Licensing Assocs.*, 864 F. Supp. 246, 250 (D. Mass. 1994); *Foraste v. Brown Univ.*, 290 F. Supp. 2d 234, 240 (D.R.I. 2003).

The 2003 Annual Statement fails to meet these requirements of a written product of negotiations that possesses certain clear and unambiguous guideposts:

1. Product of negotiations: Neither the Annual Statement nor any evidence submitted on summary judgment or at trial showed any negotiations preceding the Annual Statement.
2. Subject matter of the agreement: The SBAdmin software, and even more particularly the copyrights thereto, are wholly absent as subject matter listed in the 2003 Annual Statement's language. A transfer of "all assets" when a business is formed could refer to just the equipment in the office now occupied by the new corporation (the topic of the very next paragraph in the 2003 Annual Statement). [AR II:194.] Even if a transfer of all personal property arguably included CDs containing SBAdmin software, that says nothing of the copyright ownership.
3. Presence of an agreement: The 2003 Annual Statement does not indicate that Storix and Johnson reached an agreement.
4. Essential terms: The Annual Statement states no price term, fees or royalties due, and Storix presented none. The Annual Statement does not state how the assets of Mr. Johnson were allegedly transferred, whether orally, in writing or by implication, and Storix still cannot answer that question today – a determinative issue as suggested by this Court. *Id.* at 357 n.3 ("Given that Congress has declared oral

> transfers 'not valid' in the absence of a writing, we have doubts about whether a later writing can validate a purported transfer that substantially predates the writing."). The Annual Statement does not even indicate the date of the transfer, just that it had occurred "as of" February 24, 2003. **To this day**, no one has answered the most basic questions: What was the consideration paid to Johnson? What were the circumstances of the transfer? When did the transfer occur?

The summary judgment ruling recognized that the 2003 Annual Statement's one non-descript sentence was ambiguous at best. [AR VI:1264.] But "any ambiguity in the transfer document must be construed in favor of the original copyright holder in order to avoid such inadvertent transfers." *Bieg*, 157 F. Supp. 2d at 480. The district court erred in determining the consequence of this lack of clarity.

Fifth, this defective writing under Section 204(a) cannot be cured by course of conduct, usage of trade, course of performance, and even an outright estoppel; no amount of extrinsic evidence could convert the 2003 Annual Statement into a sufficient writing. *Lyrick*, 420 F.3d at 396; *MVP Entertainment*, 210 Cal. App. 4th at 1338 (estoppel). The analysis should stop at the four corners of the 2003 Annual Statement. The writing requirement and legislative intent of Section 204(a) are satisfied by a writing, not extrinsic or circumstantial evidence.

Finally, the 2003 Annual Statement was not a memorandum *of contract*. This Court has held that not any memorandum will suffice, but only one intended as a memorandum of contract: "Although section 204 is often referred to as the 'copyright statute of frauds,' it actually differs materially from state statues of frauds. While the latter may be satisfied by a writing not intended as a memorandum of contract, not communicated to the other party, and even made in pleadings or testimony years after the alleged agreement, section 204 may not." *Konigsberg*, 16 F.3d at 357. In other words, "the writing requirements under section 204 are more stringent than the common law statute of frauds. The writing must be intended as a memorandum of contract communicated to the other party and the equitable defense of estoppel does not apply." *MVP Entertainment*, 210 Cal. App. 4th at 1338. An annual statement is not a memorandum of contract communicated between the parties. And Storix's annual statement certainly is not the owner's (Johnson's) memorandum of contract.

While the district court's summary judgment ruling forced Johnson to proffer extrinsic evidence at trial, and denied a new trial by pointing to portions of the extrinsic evidence, none of that was necessary or appropriate. This Court need only compare the 2003 Annual Statement to the well-set criteria of Section 204(a). The document does not hold up. A transfer that does not comply with Section 204(a) is "not valid." 17 U.S.C. § 204(a). The district court erred in denying

summary judgment to Johnson on the issue of ownership, and compounded that error by denying a new trial. The judgment should be reversed.

3. Section 204(a)'s Requirements Warranted a New Trial As to the Issue of Assignment and All Issues That Interdepended Upon that Determination

Ownership of the Original Work was a threshold issue, and to the extent this Court does not simply reverse the judgment, a new trial should be ordered. No amount of circumstantial or extrinsic evidence should have turned the ownership issue in Storix's favor. Having erroneously decided the owner of the Original Work, the jury then naturally considered ownership in the Original Work when determining the follow-up questions presented to them. This included whether the subsequent derivative works were works-for-hire and whether the claims were time-barred. A full new trial should be granted.

"The trial court may grant a new trial, even though the verdict is supported by substantial evidence, if 'the verdict is contrary to the clear weight of the evidence or is based upon evidence which is false, or to prevent, in the sound discretion of the trial court, a miscarriage of justice.'" *United States v. 4.0 Acres of Land*, 175 F.3d 1133, 1139 (9th Cir. 1999) (citation omitted); *Experience Hendrix L.L.C. v. Hendrixlicensing.com Ltd*, 762 F.3d 829, 845-47 (9th Cir. 2014) (affirming district court grant of new trial on damages); *Molski v. M.J. Cable, Inc.*, 481 F.3d 724, 729 (9th Cir. 2007) (district court abused discretion in denying motion for new trial). This outcome is often required even if substantial evidence

would preclude entering judgment as a matter of law. *Id.*; *see Murphy v. City of Long Beach*, 914 F.2d 183, 187 (9th Cir. 1990) ("the district judge has the right, and indeed the duty, to set aside the verdict of the jury even though supported by substantial evidence…to prevent…the miscarriage of justice.").

As addressed above, the 2003 Annual Statement has determinative weight. No amount of circumstantial or extrinsic evidence could overpower it under the rules of Section 204(a), regardless of whether the evidence may or may not support a transfer outside of Section 204(a). Thus, although the parties submitted evidence on both sides of the question of what the parties' intended, the jury determination on the question of ownership violated Section 204(a).

The impact of this erroneous conclusion at trial went beyond just the issue of whether Storix was assigned the original SBAdmin copyright. The jury was also charged with deciding whether derivative works belonged to Johnson or were works-for-hire belonging to Storix. *See below at* Section VII(B)(2). Those issues were undoubtedly influenced and colored by the jury's decision on the ownership of the Original Work.

As a result, it was error not to grant a new trial. Johnson should have been declared the owner of the Original Work (both as part of his and Storix' declaratory relief claims), and he should be allowed to resubmit the issue of infringement to the trier of fact.

B. The Procedural Errors at Trial Warrant a New Trial, Including the Erroneous Submission of the Ownership Issue to the Jury and the Provision of The Plainly Incorrect Jury Instruction Number 34

Submission of the ownership issue to the jury was error for two reasons. First, compliance with Section 204(a) is a purely legal issue reserved for the judge. The issue was one of statutory compliance with the requirements for a valid assignment. It should not have been submitted to the jury. Second, the jury not only erroneously considered the issues, but did so with incorrect guidance on the law. Jury Instruction Number 34 misstated the requirements for satisfaction of Section 204(a). These procedural errors warrant a new trial.

1. Whether a Writing Satisfies the Copyright Act Section 204 is a Question of Law for the Judge, Not a Fact Question for the Jury

The district court also erred by submitting to the jury the critical issue of whether Storix complied with Section 204(a). This Court and other circuits have repeatedly held that compliance with Section 204(a) is a matter of law for determination by the court—not a jury. Whether it is a motion to dismiss, a summary judgment or a bench trial, the issue is one of law for the court. *Lyrick Studios*, 420 F.3d at 392 (whether a writing satisfies section 204 is an issue of law) (*citing Konigsberg*, 16 F.3d at 357 (affirming dismissal of plaintiff's claim as a matter of law as alleged agreement did not satisfy section 204(a)); *see also Radio TV Espanola S.A. v. New World Entm't Ltd.*, 183 F.3d 922, 927-29 (9th Cir. 1999)

(affirming summary judgment where district court found that writings did not satisfy section 204(a)).

This makes sense. Parties cannot use course of dealing, usage of trade, and course of performance to substitute for an actual writing. *Lyrick*, 420 F. 3d at 396; *Konigsberg*, 16 F.3d at 356. To allow a jury to determine whether extrinsic evidence or other evidence transposed an ambiguous writing into Section 204(a) compliance would defeat the purpose of Section 204(a). As addressed above, the solution to an ambiguous assignment or memorandum of assignment is to determine it fails to satisfy Section 204(a)'s requirement for a clear writing, not to try and sift through evidence to intuit a resolution to the ambiguity. *See above at* Section VII(A)(2).

Because the goal of Section 204(a) is to "enhance predictability and certainty of copyright ownership," the writing must clearly show to the satisfaction of the court, an assignment of copyright. *Alcatel USA, Inc. v. Cisco Sys., Inc.*, 239 F. Supp. 2d 645 (E.D. Tex 2002) (quoting *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989)). Section 204(a) makes "ownership of property rights in intellectual property clear and definite, so that such property will be readily marketable." *Konigsberg Int'l, Inc. v. Rice*, 16 F.3d 355, 357 (9th Cir. 1994).

Disregarding these principles, the district court erroneously treated Section 204(a) compliance as a mere matter of contract interpretation subject only to

general state-law contract principles. The district court erred by failing to resolve the Section 204(a) issues itself, either on summary judgment or through the granting of a new trial.

2. The Erroneous Jury Instruction No. 34 Required a New Trial, Including Because Its Effect Bled Over To the Work-For-Hire and Statute-of-Limitation Determinations

An erroneous or inadequate jury instruction warrants a new trial. *Murphy*, 914 F.2d at 186-87; *Rinker v. County of Napa*, 831 F.2d 829, 832 (9th Cir. 1987); *Cleveland v. Southern Pac. Co.*, 436 F.2d 77, 80-81 (9th Cir. 1970); *Experience Hendrix*, 762 F.3d at 847.

In this case, Instruction No. 34 was inadequate to instruct jurors on how to make a determination as to transfer of copyright ownership. [AR III:338-339.] The jury was instructed:

> A transfer of copyright ownership must be accomplished in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent. The word "copyright" need not be used, so long as the writing reflects a transfer of assets broad enough to include a copyright. The meaning of terms set forth in a note or memorandum of transfer may be interpreted and explained by course of dealing or usage of trade or by course of performance. It is for you to decide whether a copyright owner intended to transfer ownership by all the evidence in the case.

[AR III:339.] The district court, however, held: "This instruction was an accurate statement of the law." [AR II:94.]

An erroneous jury instruction warrants a new trial where "(1) there was

an error; (2) the error was obvious; and (3) the error affected substantial rights." *C. B. v. City of Sonora*, 769 F.3d 1005, 1018 (9th Cir. 2014). Here, (1) the instructions misstated the law of copyright transfer, (2) the error was obvious, and (3) the error led the jury to make a determination about Johnson's copyright ownership that it would not have made if it had been instructed properly. *See Hunter v. County of Sacramento*, 652 F.3d 1225, 1230 (9th Cir. 2011).[6]

First, the instruction contained an obvious misstatement of the law. As addressed above, whether or not the assets identified in a writing or memorandum are (in the words of Instruction No. 34) "broad enough to include a copyright" is not enough. Jury Instruction Number 34 further instructed the jury to assess the question of assignment based on extrinsic evidence such as course of dealing, usage of trade, and course of performance. Clarity is the hallmark of Section 204(a); it cannot be replaced with vagueness and overbreadth. *See* Section VII(A)(2) above (citing *Konigsberg*, 16 F.3d at 357; *Foraste*, 290 F. Supp. 2d at 240; *Bieg*, 157 F. Supp. 2d at 480; *Foraste*, 290 F. Supp. 2d at 240; *Bieg*, 157 F.

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[6] Storix has suggested that the new trial challenges were somehow not preserved by the failure to bring a Rule 50 motion. However, Rule 51 allows this Court to consider a plain error in instructions that affects substantial rights, in the absence of preservation of the error by objection F.R.C.P. 51(d)(2). And "[u]nlike a motion for judgment as a matter of law, a motion for new trial does not have to be preceded by a Rule 50(a) motion prior to submission of the case to the jury." *Freund v. Nycomed Amersham*, 347 F.3d 752, 765 (9th Cir. 2003).

Supp. 2d at 480; *Pamfiloff*, 794 F. Supp. at 936). Whether or not such concepts may have a place in routine contract interpretation, they are inappropriate for filling the gaps required by a Section 204(a) writing. *Id*. (citing *Konigsberg*, 16 F.3d at 356) (adequate writing required even in the face of ample evidence of an agreement).

Second, the error affected substantial rights. Prejudice is presumed from trial error and "the *burden shifts to the [defendant]* to demonstrate 'that it is more probable than not that the jury would have reached the same verdict' had it been properly instructed.'" *Dang v. Cross*, 422 F.3d 800, 811 (9th Cir. 2005) (emphasis added). Here the proof of prejudice goes beyond presumptions, as shown by three separate issues:

1. Copyright assignment: On the key issue of copyright assignment, the instruction directed jurors to consider evidence they legally could not consider to satisfy a test that was legally insufficient to demonstrate a clear Section 204(a) memorandum of transfer, when the 2003 Annual Statement was otherwise insufficient on its face.
2. Work for hire: The work-for-hire conclusion of the jury was most likely based on the conclusion that, as Storix owned the original copyright, it made sense that Johnson incorporated subsequent

changes as an employee. [AR II:220.] The stated factors all disfavored a work-for-hire determination. [AR VI:1188.]

3. Statute of limitations: The jury's finding of a time bar was impacted by Jury Instruction No. 34 in at least two ways. First, in analyzing the statute of limitations, the jury was instructed that "if you find plaintiff Anthony Johnson knew or should have known that, prior to August 2011, Storix, Inc. claimed ownership of the copyright to its software, then you *must* find Johnson's infringement claim is time-barred." [AR III:339.1 (Instruction 41) (emphasis added).] Because Jury Instruction No. 34 erroneously led the jury to conclude that the 2003 Annual Statement was Storix's note or memorandum of a transfer of the software's copyright, Jury Instruction No. 41 on its face mandated that the jury also conclude the claim was time-barred. Second, the presence of a finding of assignment also plainly led the jury to conclude that the special verdict question regarding the presence of an implied license was "n/a." [AR III:335.] Had the jury found an implied license, the revocation of that license in 2014 would have triggered the limitations period, not the period during which Storix's use was authorized.

On these last two issues, the jury did not give an advisory opinions that may now spring into effect with the reversal of the issue of copyright assignment. The verdict cannot be interpreted as a jury finding that *if* Johnson did *not* assign the copyright validly under Section 204(a), then the statute of limitations or work for hire doctrines would still apply. The jury was asked if the statute of limitations applied. It was asked if the changes to SBAdmin were works-for-hire. Since the jury found an assignment in or before 2003, Storix cannot show that this finding more probably than not did not impact these other findings.

In sum, Storix cannot satisfy its burden of showing why this error does not mandate an entire new trial on all issues. "[A]lthough partial new trials are permitted, the device 'may not properly be resorted to unless it clearly appears that the issue to be retried is so distinct and separable from the others that a trial of it alone may be had without injustice.'" *Lies v. Farrell Lines, Inc.*, 641 F.2d 765, 774 (9th Cir. 1981) (*quoting Gasoline Prods. Co. v. Champlin Ref. Co.*, 283 U.S. 494, 500 (1931)); *Pumphrey v. K.W. Thompson Tool Co.*, 62 F.3d 1128 (9th Cir. 1995).

The district court erred in failing to order a new trial based on the erroneous Jury Instruction Number 34.

C. It Was An Abuse of Discretion to Award Fees to Storix

A reversal of the underlying judgment deprives Storix of its prevailing party status, and therefore mandates reversal of the fee award. Even if the underlying

judgment is not reversed, however, the fee award still should be.

In deciding whether to award fees, courts consider five factors: "(1) the degree of success obtained; (2) frivolousness; (3) motivation; (4) the objective unreasonableness of the losing party's factual and legal arguments; and (5) the need, in particular circumstances to advance considerations of compensation and deterrence." *Entm't Research Grp., Inc.,* 122 F.3d at 1229 (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994)). The Supreme Court recently held that a court should give ***substantial weight*** to the objective reasonableness of the losing party's position. *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979 (2016).

The district court found Johnson's case was objectively reasonable and not frivolous. [AR I:9-12, 15.] But it subordinated the substantial weight given the objective-reasonableness and frivolousness factors to erroneous conclusions about the Copyright Act's need for deterrence. Its balancing of factors was indefensible, and the award of fees to Storix was an abuse of discretion in light of the Supreme Court's guidance in *Kirtsaeng*.

1. Johnson's Lawsuit Was Objectively Reasonable, a Consideration Entitled to Substantial Weight

The district court found that Johnson's position was objectively reasonable, but failed to afford this factor the weight it deserves. [AR I:12:22-23 ("the Court concludes the Plaintiff Johnson's position was objectively reasonable, at least through the conclusion of trial, and the Court gives 'substantial weight' to this

assessment.”).] Because Storix lost its summary judgment motion, Johnson’s position was presumptively reasonable: “If a plaintiff has a claim that hinges on disputed facts sufficient to reach a jury, that claim necessarily is reasonable because a jury might decide the case in the plaintiff’s favor.” *VMG Salsoul, LLC v. Ciccone*, 824 F.3d 871, 887 (9th Cir. 2016) (emphasis added). This factor weighs substantially against a fee award.

2. Johnson’s Action Also Was Not Frivolous

As with the objective reasonableness, the district court agreed that Johnson’s case was not frivolous. [AR I:15.] The denial of Storix’s summary judgment confirms the non-frivolousness of his case. *Chirco v. Charter Oak Homes, Inc.*, 2008 U.S. Dist. LEXIS 29764 (E.D. Mich. Apr. 11, 2008) (denying fees; non-frivolous where disputed issues of fact resulted in denial of summary judgments). This factor also weighed against granting Storix’s attorneys’ fees.

3. Johnson’s Motivation and the Supposed Need to Deter Such Motivation Did Not Justify Awarding Fees to Storix

The overriding reason the district court awarded fees was because it tried to decipher Johnson’s motive. [AR I:8:1-9:11, 13:15-14:24 & n.5.] Johnson is merely a copyright holder attempting to protect his life’s work, his intellectual property. An individual who believes his or her work is being misused should not be deterred from litigating to save that work. None of the three bases for

deterrence stated by the district court justified overcoming the weight afforded the other factors by the Supreme Court.

First, copyright owners should not be deterred from acting like a copyright owner while challenging trial error through post-judgment motions and appeal. The district court relied on an email to a Storix employee asking to confidentially communicate about a new software version Johnson had been working on, because Johnson was appealing the district court's finding on ownership. [AR I:13 (citing AR II:82).] Johnson refused to abandon all software while the verdict was still subject to reversal. [AR I:13-14 (citing AR II:84-85).]. Acting consistent with ownership while post-verdict motions and appeals are still pending, is not conduct that should be deterred. There was no injunction in place at any time barring Johnson from continuing to dispute copyright ownership and taking actions consistent with that dispute.

Second, Johnson's settlement demand to managing shareholders did not warrant a deterrence-based fee award. The district court relied on Johnson's demand and settlement proposal to Storix's other managing shareholders made the very same day those other shareholders caused Storix to file a state-court action against Johnson (and literally during a settlement conference in this case). [AR I:14 (citing AR VI:1278-1282).] The demand and settlement proposal claimed that due to the other shareholder's breaches of fiduciary duty and fraud, they deserved

to lose everything, including their homes and jobs. [AR VI:1278-1282.] Johnson advised he was preparing a derivative action asserting these claims, but offered to not pursue a claim against anybody who would walk away from Storix, as long as action was taken prior to the filing of the derivative action. [*Id.*] Johnson ultimately did file a derivative action in state court alleging those claims.

In evaluating this evidence, strongly-worded demand letters with settlement offers do not warrant deterrence, even if they express expletives and emotions that lawyers might consider themselves above. In contrast, Storix's use of such inadmissible evidence to support the validity of a claim for attorneys' fees should be deterred. Cal. Evid. Code § 1152(a); F.R.E. 408; *Jewell-Cohen v. Law Office of Patenaude & Felix, A.P.C.*, 2016 U.S. Dist. LEXIS 45744 (S.D. Cal. Apr. 4, 2016) (use of settlement communication to prove "validity or amount of the claim to attorney's fees" violates F.R.E. 408) (applying *McCown v. City of Fontana*, 565 F.3d 1097, 1105 n.4 (9th Cir. 2009) and *A.D. v. California Highway Patrol*, 712 F.3d 446, 461 (9th Cir. 2013)).

Third, Johnson's customer communications did not invoke deterrent considerations worthy of a fee award. The district court relied on Johnson's pre-trial communication to customers indicating that they should not be paying Storix for software they did not own the copyrights to. [AR I:14 (citing AR VI:1283-1284, AR VI:1285).] The district court found this was an attempt to prevent

Storix from being able to continue funding its litigation. [*Id.*] Johnson took the objectively reasonable and non-frivolous position that he owned the copyrights, which the district court agreed in its fee order was an objectively reasonable position to take. There is no deterrent-worthy motive in someone claiming to be the owner of a copyright, and demanding that customers temporarily not pay his adversary for works belonging to the owner.

One can think of a hundred ways such posture arises, each of which is emphatically proper, such as: (1) landlords telling subtenants not to pay rent to tenants against whom eviction proceedings are still pending; (2) trademark owners telling an infringer's licensees not to pay trademark licensing fees while an infringement action is pending; (3) anyone claiming ownership in a right and not wanting its adversary to fund litigation against that owner by exploiting that very thing. The situation here came nowhere near to approaching these situations, as the letter relied on by the district court concerned payments for only a period of about a *single month*, pending its anticipated ruling of the then-pending motion for summary judgment. [AR I:14 (citing AR VI:1283-1284, AR VI:1285).]

Finally, the authorities cited by the district court do not support the purported deterrent rationales. [AR I:14 (citing *Scorpio Music Black Scorpio S.A. v. Willis*, 2015 U.S. Dist. LEXIS 124000 **8-9 (S.D. Cal. Sept. 15, 2015) (fees awarded to deter production company with superior bargaining power from forcing

expensive Section 203 reversionary litigation); *Love v. Mail on Sunday*, 2007 U.S. Dist. LEXIS 97061 (C.D. Cal. Sept. 7, 2007) (deterring objectively unreasonable and borderline frivolous plaintiff from overpleading and bloating case favored fee award)).]

Litigants with objectively reasonable and non-frivolous copyright ownership positions that have not yet been fully and finally resolved should a threatened fee award used to deter them from taking action outside of the litigation consistent with that ownership.[7] Storix unsuccessfully sought injunctive relief against this very same conduct, which was denied each time. *See* [AR VI:1275-1277; AR II:62-69.] It is simply untenable to support a fee award with such an unsupported theory about deterrence, and the fee award was thus an abuse of discretion. Accordingly, if the judgment is not reversed, then at a minimum, the award of attorneys' fees should be reversed.

VIII. CONCLUSION

The judgment should be reversed, with the fee award being vacated as moot. This Court should hold that there was no transfer of the copyright in SBAdmin to Storix, and direct entry of summary adjudication on that issue in favor of Johnson.

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[7] The district court twice denied Storix's attempts to obtain injunctive relief based on this very same evidence, including an email to Johnson's former employee attaching the very proposed customer email that was ultimately sent. [AR VI:1275-1277; AR II:62-69.] That the Court did not enjoin such conduct serves to undermine any conclusion that Johnson acted with improper motive.

The case then should be remanded for Johnson's copyright infringement claims to then proceed. Even if the judgment is not vacated, the fee award should be reversed.

Dated: March 15, 2017

MINTZ LEVIN COHN FERRIS
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s/Andrew D. Skale

Andrew D. Skale
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Anthony Johnson

STATEMENT OF RELATED CASES

Appellant Anthony Johnson is aware of no other cases pending in this Court that are related to this case.

/s/ Andrew D. Skale
Andrew D. Skale

Form 8. Certificate of Compliance Pursuant to 9th Circuit Rules 28-1.1(f)

9th Circuit Case No. 16-55439

I certify that the brief is words or pages, excluding the portions exempted by Fed. R. App. P. 32(f), if applicable. The brief's type size and type face comply with Fed. R. App. P. 32(a)(5) and (6). The brief is 10,611 words, excluding the portions exempted by Fed. R. App. P. 32(f), if applicable. The brief's type size and type face comply with Fed. R. App. P. 32(a)(5) and (6).

This brief complies with the length limits permitted by Ninth Circuit Rule 32-2(b).

/s/ Andrew D. Skale
Andrew D. Skale

Ninth Circuit Case Number(s): 16-55439

CERTIFICATE OF SERVICE

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