

**Case No. 16-55439**

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

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ANTHONY JOHNSON,  
Plaintiff/Appellant,

vs.

STORIX, INC., a California Corporation,  
Defendant/Appellee.

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Appeal from the United States District Court  
for the Southern District of California  
Docket No. 3:14-cv-01873-H-BLM  
The Honorable Marilyn L. Huff, District Judge

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**MOTION TO STAY THE EXECUTION OF THE ATTORNEYS' FEE  
AWARD**

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Appellant Anthony Johnson respectfully submits this Application to Stay the Execution of the Attorneys' Fees Award Pending Appeal.

## **I. STATEMENT OF FACTS**

### **A. Brief Copyright Case History**

On August 8, 2014, Johnson sued defendant Storix, Inc. ("Storix") to protect his ownership rights to his intellectual property in the software program he created—SBAdmin. Johnson owned the software as a sole proprietor from 1999 to 2003, forming Storix, Inc. thereafter. He then received the shocking news that he had a terminal illness (with a 3% chance of surviving), after which Johnson's goal was to save his software and the company he built, protecting the jobs and future of his employees. While fighting his illness, he generously granted 60% of Storix's outstanding stock to various employees. Miraculously, he defeated his illness, and returned to work—until forced out of Storix by the current officers.

After a jury trial, judgment was entered on December 8, 2015 in Storix's favor, based on an alleged transfer of the copyright in SBAdmin from Johnson to Storix. Because no writing exists which actually transferred ownership of the copyright from Johnson to Storix, and because the jury was improperly instructed regarding the existence of such a writing, Johnson filed a motion for a new trial, which was denied on February 23, 2016 (Dkt. No. 193). Storix filed a Motion for Attorneys' Fees and Costs, which was granted in part on August 17, 2016 (Dkt.

No. 230). On October 31, 2016, the district court awarded Storix \$543,704 in attorneys' fees and costs (Dkt. No. 241). On November 16, 2016, the district court entered an amended judgment in the amount of \$555,118.64 in favor of Storix and against Johnson. (Dkt. No. 246.)

On March 3, 2016, Johnson filed a Notice of Appeal of both (1) the judgment (entered December 18, 2015), and (2) the order denying his motion for new trial. On September 13 and November 11, 2016, Johnson amended his Notice of Appeal to include appeals of the order granting in part and denying in part Storix's motion for attorneys' fees and the amount of the fee award.

## **B. The District Court's Order on Johnson's Motion**

Pursuant to Fed. R. Civ. P. 62(a), Johnson filed in the district court a motion to stay the enforcement of the judgment pending appeal, or alternatively, to use Johnson's Storix stock in lieu of a bond, or to post a reduced bond to guarantee the judgment. (Dkt. No. 251.) The district court denied the requested relief, and instead conditionally granted a stay upon posting of a supersedeas bond under Rule 62(d), otherwise, the execution of the judgment is slated for December 27, 2016. The district court stayed execution of the judgment until December 27 to provide Johnson time to file this motion in this Court. (Dkt. No. 256.)

In denying Plaintiff's request to waive the bond, the district court relied on "standard practice" of district courts to "grant supersedeas bonds as surety bonds."

(Dkt. No. 256 at 3:22-26). The district court dedicated one sentence of its ruling to Johnson's request to stay execution of the fee award: "The Court stays execution of the judgment until December 27, 2016...." (Dkt. No. 256). The order does not address or explain its denial of Johnson's motion to stay the writ of execution pending appeal. Thus, the district court ignored the arguments supporting a stay.

## **II. LEGAL STANDARD**

### **A. District Courts Can Stay Proceedings Pursuant to F.R.C.P. 62**

Courts have the power to stay proceedings and execution of a judgment. Fed. R. Civ. P. 62. *See, e.g., Alliance of Nonprofits for Ins., Risk Retention Group v. Barratt*, 2012 U.S. Dist. LEXIS 115431, \*3, 2012 WL 3561963 (D. Nev. Aug. 16, 2012); *Bechtel Corp. v. Laborers' International Union*, 544 F.2d 1207, 1215 (3d Cir. 1976). Further, "the power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants." *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936).

### **B. This Court Can Stay Orders Pending Appeal Under FRAP 8**

Where, as here, applicants move for a stay under Fed. R. App. P. 8(a)(1)(A), courts in this circuit routinely stay execution of attorneys' fees awards pending appeal. "It makes little sense to require Fonseca to pay costs to Secor now which Secor conceivably may later have to repay. Therefore, this court will . . . stay

execution . . . of those costs pending appeal.” *Fonseca v. Secor Int’l, Inc.*, No. CV-04-1117-ST, 2005 U.S.Dist. LEXIS 48102, \*2. (D.Or. June 13, 2005). This Court reviews denial of a motion for stay for an abuse of discretion. *United States v. Peninsula Communs., Inc.*, 287 F.3d 832, 838 (9th Cir. 2002); *see also MacKillop v. Lowe’s Mkt., Inc.*, 58 F.3d 1441, 1446 (9th Cir. 1995).

Rule 8 also allows a Motion to Stay to be made in this Court. Fed. R. App. P. 8(a)(2). The Supreme Court formulated a four-part standard to decide whether to grant a stay: “(1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits; (2) whether the applicant will be irreparably injured absent a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) where the public interest lies.”

*Nken v. Holder*, 556 U.S. 418, 434 (2009); *see also Alliance For The Wild Rockies v. Cottrell*, 632 F.3d 1127, 1135-39 (9th Cir. 2011); *Humane Society v. Gutierrez*, 558 F.3d 896 (9th Cir. 2009). Courts have broad discretion in weighing these factors, and each is weighed on a sliding scale: if support for one factor is strong, that strength makes up for weaknesses in others. *Cottrell*, 632 F.3d at 1131.

As recognized by the leading treatise, “...the Ninth Circuit **seldom** requires a bond as a condition of a stay or injunction issued pursuant to FRAP 8. Rather, the court usually evaluates such motions with the assumption no security will be posted.” Goelz & Watts, FEDERAL NINTH CIRCUIT CIVIL APPELLATE PRACTICE

(Rutter Group 2016) p. 6-57(emphasis added). Johnson meets the requirements to stay execution of the fee award pending his appeal. The four factors under which motions to stay are considered tilt heavily in Johnson's favor. Consequently, Johnson respectfully requests that the Court issue a stay of enforcement of the fee award pending appeal of this action.

### **III. ARGUMENT**

#### **A. Denying Johnson's Motion to Stay Was an Abuse of Discretion**

The district court abused its discretion by denying Johnson's Motion to Stay for two primary reasons: its lack of reasoning was arbitrary, and ignoring Johnson's ample grounds for a stay of the fee order was an abuse of discretion.

The district court's denial of Johnson's Motion to Stay was unexplained and arbitrary. "Although Appellate Rule 8(a) does not expressly require the district court to state the reasons for its action in failing to grant a stay or injunction, its clear implication is that an applicant is entitled to such reasons upon request. The Supreme Court has indicated its disapproval of dispositions by lower courts of applications for stays without a statement of reasons." 20-308 MOORE'S FEDERAL PRACTICE - CIVIL § 308.40 (2016). The district court should have cited reasons. *Virginian Ry. Co. v. United States*, 272 U.S. 658, 675 (1926) (where district court fails to accompany decree staying order with opinion, it deprives litigants of exercising sound judgment on propriety of appeal and denies appellate court

important aid in consideration of case). “[I]n its order denying First South’s motion for stay pending appeal, the district court failed to set forth its reasoning, making only conclusory findings. We find this to be particularly problematic given the harsh and potentially final consequences . . . We believe that, when a district court denies a stay pending appeal . . . it must set forth its reasons in more than conclusory terms.” *In re First South Sav. Asso.* 820 F.2d 700, 708 (5th Cir. 1987). “[W]e must know to what we defer; when we are not certain of the district court’s reasoning, or when we cannot discern whether the district court considered the relevant factors, we must remand.” *Townsend v. Holman Consulting Corp.* 929 F.2d 1358, 1366 (9th Cir. 1991).

It was an abuse of discretion to deny Johnson’s Motion to Stay given the ample grounds presented to the district court supporting a stay. A stay is appropriate because Johnson has sought appellate review, and his position is strong, as demonstrated below. Without a stay, Johnson will be irreparably harmed. Johnson has not been paid any distributions by Storix in almost two years and would have to liquidate assets in order to satisfy the requirements of a bond. (Declaration of Anthony Johnson “Johnson Decl.” at ¶ 3.) Additionally, an influx of money to Storix would only encourage Storix’s ongoing mismanagement of funds, and would leave Johnson without the ability to recoup his money if and when he is vindicated by this Court. That harm would be irreparable since he

would never be able to recoup his money. The district court ignored this ample evidence without explanation.

## **B. Johnson Is Likely to Succeed On the Merits On Appeal**

### **1. There Was Insufficient Evidence of a Transfer of the Copyright from Johnson to Storix**

Both Johnson and Storix filed motions for summary judgment on the issue of copyright ownership, and the district court determined that the question of copyright ownership must go to the jury. Dkt. 84 at 7:20-22 (concluding that there are triable issues of material fact regarding ownership which preclude summary judgment). At trial, Johnson proved by a preponderance of the evidence that he obtained a valid copyright registration for an original work of authorship relating to SBAdmin Version 13. Judgment (Dkt. 164) at 1:25-28. To avoid infringement, Storix sought to prove it was assigned the copyright registration.

#### **i. Storix Cannot Identify a Writing Evidencing a Transfer of the Copyright**

Storix failed, as a matter of law, to prove Johnson transferred the copyright to Storix because it has not identified, and cannot identify, a writing evidencing that transfer pursuant to 17 U.S.C. § 204. The Copyright Act allows a copyright ownership to be transferred by an assignment *only* if reflected in a signed writing. 17 U.S.C. §§ 101, 204. 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). This Court has recognized the strict writing requirement "by requiring that a transfer of copyright ownership be in writing." *Effects Assocs. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990). "To serve the purpose of the statute, the writing 'at the very least, [must] be executed more or less contemporaneously with the agreement and must be a product of the parties' negotiations.' It must evidence an intent to transfer a copyright," *PMC, Inc. v. Saban Entm't*, 52 Cal. Rptr. 2d 877, 879 (Cal. Ct. App. 1996) (internal citations omitted) (emphasis added); *see also MVP Entertainment, Inc. v. Frost*, 210 Cal. App. 4th 1333 (Cal. Ct. App. 2012) (holding that, after negotiations concerning a copyright, an email stating "done...thanks!" insufficient to transfer to the copyright).

To skirt this requirement, Storix cited to a single statement in an annual report written entirely by Storix when Johnson owned 100% of Storix. This evidence constitutes one line in the internal Storix 2003 Annual Report, allegedly written after the purported transfer, and signed by Johnson as President stating: "All assets from Storix Software were transferred to Storix Inc." (Tr. Exh. CD.) Storix cited to no writing after Johnson became only a 40% owner, no filing with the Copyright Office of a change of ownership, and no writing that resembles anything that would or could be an agreement. Instead, Storix relies on vague course of conduct evidence, which courts have rejected as a substitute for a

writing. *See Lyrick Studios, Inc. v. Big Idea Prods.*, 420 F.3d 388, 396 (5th Cir. 2005) (“Satisfying § 204(a)’s writing requirement with a purely internal memo that was never intended to be provided to Lyrick would not further the copyright goals of predictability of ownership.”).

Storix’s argument—that Johnson’s copyright was transferred through a vague statement that Storix Software’s “assets” had been transferred to Storix, Inc.—undermines the primary purpose of the 1976 revisions to the Copyright Act. Congress’s “paramount goal in revising the 1976 Act [was] enhancing predictability and certainty of copyright ownership.” *Cmty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989). “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 Assocs*, 908 F.2d at 557. This rule guarantees that the author “will not give away his copyright inadvertently.” *Id.*

Oral agreements are insufficient to transfer a copyright. *Konigsberg Int’l, Inc. v. Rice*, 16 F.3d 355 (9th Cir. 1994). Course of dealing, usage of trade, and course of performance cannot substitute for an actual writing, which does not exist in this case. *Id.* (a writing is required even in the face of ample evidence of an agreement). In rejecting course of dealing argument, federal courts have held that, “although the defendant argues that enforcing this requirement [of ignoring parties

acted like there was a transfer of copyright rights] would be unjust, we will not add an exception to the statute.” *Lyric Studios*, 420 F.3d at 396. Accordingly, circumstantial evidence of a copyright assignment is irrelevant.

None of the above statutory and Congressional requirements is present here. No price was set for the copyright. There were no negotiations of terms. No ownership of reproduction or other rights was determined. There is no written and signed document memorializing the transfer of rights. Storix does not even identify the date of this supposed transfer or the consideration. No copyright transfer occurred. Finding a transfer here would undermine the objectives of the Copyright Act: to ensure there is no inadvertent transfer, to ensure the parties negotiate, and to guide the parties to a resolution during a dispute.

Section 204 of the Copyright Act “serves more than an evidentiary function,” unlike common law statutes of frauds. *MVP Entertainment*, 210 Cal. App. 4th at 1338. “Further, 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.” *Id.*

## **ii. Storix’s “All Assets” Document Fails Under §204**

The writing that Storix claims transferred Johnson’s rights fails to meet the Copyright Act’s heightened requirements. Storix claimed that Johnson transferred

ownership of his prized possession, the copyright on his software, through one vague line in the internal Storix 2003 Annual Report.

However, this document is signed by Storix, not the copyright owner, Mr. Johnson, but Johnson as “President” of Storix. (Tr. Exh. CD.) The Copyright Act requires the writing to be “signed by the owner of the rights conveyed.” 17 U.S.C. § 204(a). Here, the writing is a Storix document, signed by Storix.

Moreover, this sentence cannot satisfy the writing requirement of the Copyright Act. Parties with *more* evidence of copyright transfer than Storix have been unsuccessful in arguing they have satisfied Section 204 of the Copyright Act. For example, a statement 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). Storix has an even weaker argument than the court rejected in *Playboy*, which involved language within an agreement. Storix relies on a mere statement in its own internal document, written after the purported transfer.

In another case, the Copyright Act’s writing requirement was not satisfied despite an oral agreement between the author and movie producers giving the producers two years to exploit TV and movie rights to the author’s book, resulting in an unsigned contract and payment of \$50,000 for the story, which the author

later confirmed in writing to be contracts “honored to the letter.” *Konigsberg Intl.*, 16 F.3d 355 (9th Cir. 1994). This evidence did not satisfy section 204 of the Copyright Act as a matter of law even though there was (1) a contract in writing transferring rights, (2) an oral agreement, and (3) a written letter from the author stating the unsigned contract was adhered to. *Id.* at 356; *see also Lyrick Studios*, 420 F.3d 388 (holding that a series of documents between the parties and internal memoranda did not satisfy section 204’s writing requirement).

This Court has further held that “[a]lthough section 204 is often referred to as the ‘copyright statute of frauds,’ it actually differs materially from state statutes 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. Thus, even documents referring to the existence of a contract, or admitting that an agreement existed, is insufficient to satisfy section 204’s stringent writing requirement. *Id.*

At trial, Storix attempted to satisfy section 204’s writing requirement with even *less* evidence than that held insufficient in *Konigsberg*. Storix failed to satisfy the requirements under the Copyright Act.

### **iii. Storix’s Conduct Evidence is Improper Under §204**

Storix claims (and the jury was instructed) that, when it comes to a copyright

assignment, “[t]he meaning of the terms...may be interpreted and explained by course of dealing...” (Dkt. No. 159.) This is wrong. In *Lyrick Studios*, because the parties acted as if they had an agreement concerning a copyright for several years, one party argued it was unfair for the other party to rely on a hyper-technical Section 204 argument. *Lyrick*, 420 F.3d at 396. This argument was rejected and it was explained that to be valid a transfer requires a “writing even in the face of ample evidence of an agreement...” *Id.* (citing *Konigsberg*, 16 F.3d at 356).

Course of dealing, usage of trade, and course of performance cannot substitute for an actual writing. Circumstantial evidence of a copyright assignment is irrelevant.

Even when a defendant “argues that enforcing this requirement [of ignoring that the parties acted like there was a transfer of copyright rights] would be unjust, we will not add an exception to the statute,” *Lyrick*, 420 F.3d at 396.

In addition, Storix’s evidence that there were instances in which the copyright notice “Copyright © Storix, Inc.” appeared in SBAdmin is also insufficient to demonstrate a transfer under section 204. Merely placing a copyright notice on software (by Storix) does not satisfy section 204’s writing requirement. *Brooks v. Bates*, 781 F. Supp. 202, 206 (S.D.N.Y. 1991).

**iv. Storix’s Alleged “Other” Evidence Exemplifies a Lack of a Writing Under Section 204**

Recognizing the “all assets” document was insufficient, Storix also cited to

other documents showing conduct to allege that proved a transfer occurred. These included statements by Storix where it allegedly listed it as the owner of the copyright in a license agreement, to allegations that Johnson allegedly made statements that Storix was the owner. But again, this is course of dealing, usage of trade, and course of performance, which cannot substitute for an actual writing. *Lyrick*, 420 F. 3d at 396; *Konigsberg*, 16 F.3d at 356. Moreover, the Ninth Circuit has recognized that statements “...made in pleadings or testimony years after the alleged agreement” are insufficient. *Konigsberg*, 16 F.3d at 356. In fact, Storix admitted that none of the individual documents presented at trial satisfies the Copyright Act’s writing requirement. Storix Opp. to Mot. for New Trial (Dkt. No. 182) at 15:22-16:3.

Storix has not, and cannot, point to a writing, signed by Johnson, that satisfies section 204’s strict requirements, because the copyright was never actually transferred. Johnson’s lack of intent to transfer the copyright is evidenced in documents such as his 2012 will (which considers the copyright as part of his estate). (Dkt. No. 145, Trial Transcript, December 8, 2015 at ¶¶I-180-83.) Consistent *only* with a belief of never having assigned ownership, Johnson drafted his estate plan on April 24, 2012, to include a bequest of his intellectual and other property related to the business of Storix Software. *Id.* This was years before any discord broke out at Storix, and before he resigned. Johnson also signed an

assignment of the Storix Software trademark in 2006, also long before this dispute arose, because he knew he never transferred the trademark – just like he never transferred the copyright. Dkt. 156 (listing Tr. Exh. 017.) Thus “all assets,” did not include the trademark.

## **2. The District Court Erred by Denied Johnson’s Motion for A New Trial**

Johnson should have prevailed on his motion for new trial because (i) the question of whether a writing satisfies section 204 of the Copyright Act was improperly submitted to the jury; (ii) the jury was wrongly instructed on the issue of transfer of copyright ownership, which led to an improper conclusion regarding whether Johnson transferred his copyright to Storix; and (iii) the jury verdict is against the clear weight of the evidence.

After a jury trial, a federal court may grant a new trial on some or all of the issues “for any reason for which a new trial has heretofore been granted in an action at law in federal court.” Fed. R. Civ. P. 59. A court can grant a new trial if the verdict is against the clear weight of the evidence, and, when considering a new trial motion, the court “can weigh the evidence and assess the credibility of witnesses, and need not view the evidence from the perspective most favorable to the prevailing party.” *Landes Constr. Co., Inc. v. Royal Bank of Canada*, 833 F.2d 1365, 1371 (9th Cir. 1987) (citations omitted).

“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.*

Another basis for granting a new trial is when there is an erroneous or inadequate jury instruction. *Murphy v. City of Long Beach*, 914 F.2d 183, 186-87 (9th Cir. 1990); *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. “If, having given full respect to the jury’s findings, the judge on the entire evidence is left with the definite and firm conviction that a mistake has been committed, it is to be expected that [s]he will grant a new trial.” *Landes Constr. Co.*, 833 F.2d at 1371-72.

Any one of these issues merits granting a new trial. Combined, they mandate a new trial.

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

It is well established that whether a writing satisfies Section 204 is a matter of law for the court – not the jury – to decide. *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)); *Tempest Publ. Inc. v. Hacienda Records & Recording Studio, Inc.*, No. H-12-736, 2013 U.S. Dist. LEXIS 159467, at \*19-20 (S.D. Tex. Nov. 7, 2013) (“When the facts of a writing’s existence and content are undisputed, whether the writing satisfied section 249(a) is a question of law.”). The interpretation of a written transfer agreement, like any other written instrument, is a pure legal question. *Doe v. Wal-Mart Stores, Inc.*, 572 F.3d 677, 681 (9th Cir. 2009) (“Contract interpretation is a question of law that we review de novo”) (citation omitted). Juries cannot usurp the court’s duty to interpret legal documents.

Here, the jury was asked to render a verdict on the statutory interpretation question of whether a writing satisfied section 204 of the Copyright Act. A new trial is needed to correct this error.

ii. **The Jury Was Given Erroneous Jury Instructions With Regard to Transfer of Copyright Ownership**

It is “clear that erroneous jury instructions, as well as the failure to give adequate instructions, are also bases for a new trial.” *Murphy*, 914 F.2d at 187 (citing *Rinker v. County of Napa*, 831 F.2d 829, 832 (9th Cir. 1987) (erroneous instructions); *Cleveland v. Southern Pac. Co.*, 436 F.2d 77, 80-81 (9th Cir. 1970) (inadequate instructions)). In this case, Instruction No. 34 was inadequate to instruct jurors how to make a determination as to transfer of copyright ownership.

Dkt. 159. 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.

Dkt. 159 (Jury Inst. No. 34). This instruction erroneously states that the word “‘copyright’ need not be used, so long as the writing reflects a *transfer of assets broad enough to include a copyright.*” (emphasis added). This misstated the requirements of §204. Section 204 requires a writing that is a “memorandum of contract communicated to the other party...,” not just any writing in which a

copyright could be transferred, or if a catch-all term is used to hypothetically include a copyright transfer. *MVP Entertainment*, 210 Cal. App. 4th at 1338.

Jury Instruction No. 34 further erred by stating that “[t]he meaning of the terms...may be interpreted and explained by course of dealing...” As noted above, course of dealing cannot be used to replace a written agreement or to evidence a transfer of copyright rights. *Lyrick*, 420 F.3d at 396. A writing is required “even in the face of ample evidence of an agreement...” *Id.* Course of dealing, usage of trade, and course of performance cannot substitute for an actual writing, which does not exist in this case. Instruction No. 34 is confusing and instructs that any broad writing saying something about transferring assets satisfies section 204’s writing requirement – this is plainly wrong.

**a. Johnson Was Prejudiced by the Error in Instruction No. 34**

The error in Instruction No. 34 was prejudicial to Johnson. The instruction misled the jurors about their copyright ownership analysis. By misstating the law, Instruction No. 34 commanded the jury to consider evidence it legally could not consider in determining if the copyright had been assigned (even if the jury could decide this issue). This error was crucial to the jury’s improper finding.

**b. The Jury Instruction Was Not Harmless Error**

Further, the erroneous instruction directly caused the jury to find against

Johnson on his copyright claim. Storix will likely argue the jury also found Johnson's claim was barred by the Copyright Act's three-year statute of limitations, but again, that was because of this instruction. 17 U.S.C. § 507(b). Against the weight of the evidence and because of an improper jury instruction, the jury found that Johnson assigned the copyright on or before 2003. The only logical conclusion is the jury believed that because Johnson sued in 2014 (well over three years after the purported transfer), any claim he had from 2003 or earlier was time-barred. The former erroneous finding (of a pre-2003 transfer) led inexorably to the latter finding (of a time bar). Accordingly, the jury instruction was not harmless error, but incorrectly instructed the jury.

**iii. The Jury Verdict is Against the Clear Weight of the Evidence**

Storix's evidence was insufficient to prove transfer of copyright ownership. The jury did not see a single writing sufficient to show transfer of the copyright under the Copyright Act, and instead, the jury was shown and instructed to consider reams of irrelevant, circumstantial evidence as necessary to their determination. Thus, against the clear weight of the evidence, the jury found that Johnson's copyright infringement claim is barred because he transferred ownership in writing to Storix. Dkt. No. 164 at 2:5-9.

"If, having given full respect to the jury's findings, the judge on the entire

evidence is left with the definite and firm conviction that a mistake has been committed, it is to be expected that [s]he will grant a new trial.” *Landes Const.*, 833 F.2d at 1371-72. Here, there is no writing sufficient to satisfy section 204.

The Copyright Act unequivocally requires an actual negotiation regarding transfer of copyright ownership to be memorialized in writing. That does not exist here. Both the subject matter and form of the document alleged as the transfer agreement are insufficient as a matter of law. Substantively, the key language was a vague reference to “all assets.” But this appeared in a Storix internal memo, written well after the purported transfer, which the Ninth Circuit held insufficient as a matter of law. *Konigsberg*, 16 F.3d at 356 (“we have doubts about whether a later writing can validate a purported transfer that substantially predates the writing”). This writing, on which Storix based its case, does not reflect any negotiation for the copyright, the price of the copyright, the type of license, or fees due. In fact, it occurred well after a transfer allegedly occurred. The memo’s reference to “all assets” is too vague as a matter of law to be construed as a transfer of Johnson’s valuable copyright.

Storix’s other evidence was an attempt to prove course of conduct, which is inappropriate, or constituted company documents (like what Storix, not Johnson, said) or oral statements, which are also insufficient. For these reasons, and especially combined with the above reasons, a new trial should have been granted.

### **3. Even If No New Trial is Granted, No Attorneys' Fees Should have been Awarded against Johnson**

Even assuming the decision concerning the transfer of the copyright is not reversed, the fee award still should be reversed. To decide 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. v. Genesis Creative Grp., Inc.*, 122 F.3d 1211, 1229 (9th Cir. 1997) (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994)). The Supreme Court recently determined 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). Here, the district court agreed that the lawsuit was objectively reasonable, and thus substantial weight should be given to this factor. (Dkt. No. 230.) Yet the district court still awarded fees. (*Id.*) This was improper.

In light of the Supreme Court’s guidance in *Kirtsaeng*, the district court should have denied a fee award.

#### **i. Johnson’s Lawsuit Was Objectively Reasonable**

The district court found that Johnson’s position was objectively reasonable, but failed to afford this factor the weight it deserves. Fee Order (Dkt. No. 230) at

9:22-23 (“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.”) This factor weighs substantially against a fee award.

**ii. This Action Is Not Frivolous**

Again, as with the objectively reasonable factor, the district court agreed that Johnson’s case is not frivolous. (Dkt. No. 230.) This factor also weighs in favor of denying Storix attorneys’ fees.

**iii. Johnson’s Motivation Is Proper**

Almost the sole reason the district court awarded fees was because it tried to decipher Johnson’s motion. This was based on emails that were not part of the case, but rather were either settlement communications or emails to a third party concerning Johnson’s belief that he would prevail in the litigation.

First, the evidence relied on by the district court to show Johnson’s alleged motive, **actually showed his good-faith belief that his copyright was infringed, and thus, the evidence showed that his motivation was genuine.** Johnson’s motivation for the lawsuit has been clear all along: to establish ownership of the copyrighted software that he wrote and is now falling into disrepair and that it was infringed.

The district court looked at three emails to decide motive. But two were **settlement communications that should not have been considered.** However, even if considered, the communications express Johnson’s belief that he would prevail,

and that he wanted to give those running his company an opportunity to avoid trial and settle the case. By Johnson telling the other side that they have one last chance to settle, because he believes he is going to prevail, that does not show improper motive, but rather an attempt to avoid litigation.

Having survived cancer only to be shut out of his own company, Johnson was forced to endure lengthy litigation in order to protect his valuable copyright interests. *Williams v. Enders*, No. 5:08-cv-335, 2009 U.S Dist. LEXIS 38714 (M.D. Ga. May 7, 2009) (“Lawsuits are generally mentally, emotionally, and financially draining to everyone involved.”). The district court improperly attempted to use settlement discussions to impugn Johnson’s motives. Moreover, nothing shows that Johnson did not have a good-faith belief in his case or that he had motive to not use the case as a vehicle to vindicate his copyright rights.

Moreover, the district court ignored Storix’s improper litigation conduct—which is not even addressed in the order. (Dkt. No. 230.) This conduct was relevant, and negated any perceived improper motive.

Thus, motivation should not have tipped in favor of a fee award, especially given the substantial weight to the case being objectively reasonable.

#### **iv. The Degree of Success Will Change**

While currently this factor leans in favor of Storix, this is technically an unknown since Johnson has appealed to this Court and is likely to be successful

given that there is insufficient evidence of a written transfer agreement and because the jury received erroneous jury instructions. Thus, this factor should not have weighed toward Storix, as expressed by the district court.

**v. The Need to Advance Considerations of Compensation and Deterrence**

The district court also found the case needed to deter Plaintiffs behavior. (Dkt. No. 230.) Again, this was based on the above-mentioned emails outside of the litigation and settlement communications.

Johnson is 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, or from settling the litigation. It would be dangerous to set that precedent.

**vi. The Weighing of the Factors Show a Fee Award Should Have Been Denied**

The Supreme Court just carefully considered when to award fees to a defendant in a copyright case. It held that "substantial weight" is to be given to the fact that the case is objectively reasonable. *Kirtsaeng*, 136 S. Ct. at 1989. Here, however, the district court ignored that clear instruction and ruled that a few emails entirely outside of the litigation showed Johnson's motive, and to deter that perceived motive, awarded fees notwithstanding the case being objectively reasonable. Johnson's motive, as a copyright holder, was entirely to protect his

intellectual property. And the evidence improperly considered by the district court showed only a copyright holder seeking to protect his rights, and trying to settle the case. In essence, the district court disregarded that the case was objectively reasonable, and to avoid the Supreme Court’s holding, decided that motive trumped the objective reasonable factor. In so doing, it violated the Supreme Court’s mandate that “objective reasonableness” be given substantial weight, and thus there is a strong likelihood the fee award will be reversed.

### C. Johnson Will Be Irreparably Injured Absent a Stay

Because Johnson has already shown a strong likelihood of success on the merits, the irreparable injury argument need not be “strong” to merit a stay. “[Success on the merits and irreparable harm] represent two points on a sliding scale in which the required degree of irreparable harm increases as the probability of success decreases.” *Golden Gate Rest. Ass’n v. City of San Francisco*, 512 F.3d 1112, 1116 (9th Cir. 2008). Johnson need only demonstrate a “probability” of irreparable injury. *Lair v. Bullock*, 697 F.3d 1200, 1214 (9th Cir. 2012); *see Leiva-Perez v. Holder*, 640 F.3d 962, 968 (9th Cir. 2011) (while the first *Nken* factor asks “whether the stay petitioner has made a strong argument on which he could win,” the second factor requires courts to “anticipate what would happen as a practical matter following the denial of a stay,” quoting *Nken*, 556 U.S. at 435). Johnson’s showing of irreparable injury from denial of a stay far exceeds this low bar.

Courts in this circuit recognize “irreparable harm” occurs when fees are unlikely to be repaid upon overturning a judgment and fee award, and when refusal to grant a stay would force the parties to lose an opportunity for cost-saving measures. The court in *Stanton v. Couturier* applied the same four factors as in *Nken* to a preliminary injunction analysis. 661 F.Supp.2d 1141, 1145 (E.D.Cal. 2009). “[A]ttorney fees advanced to Mr. Couturier are unlikely to be repaid, which is sufficient to establish irreparable harm to TEOHC and Plaintiffs.” *Id.* at 1146.

Courts in this circuit often rule against parties arguing “[appellant]s cannot show irreparable harm because they will merely incur attorneys’ fees if the motion to stay is not granted,” *Stern v. Cingular Wireless Corp.*, No. CV-05-8842, 2006 U.S.Dist.LEXIS 96312, at \*3, \*6-8 (C.D.Cal. Sep. 11, 2006). Instead, courts side with appellants arguing that “refusal to grant a stay will cause them irreparable harm because it will...defeat the cost-saving advantages...” of the stay. *Id.* (granting a stay, in part, due irreparable harm of losing cost-saving advantages of an eventual Ninth Circuit order for arbitration).

Likewise here, a refusal to grant Johnson a stay will cause him irreparable harm because immediate payment of attorneys’ fees will defeat the cost-saving advantages of only making a final payment when necessary, upon final resolution, instead of incurring legal fees post-appeal to ensure that Storix pays back more than half a million dollars in attorneys’ fees, which it will likely be unable to do

due to ongoing mismanagement.

When future monetary compensation may come too late, a stay is necessary.

*See Lopez v. Heckler*, 713 F.2d 1432, 1437 (9th Cir. 1983) (denying motion to vacate the stay). Courts also grant stays to prevent irreparable financial harm when an appellant would be forced to incur an expense that would render their right to appeal meaningless. *Gray v. Golden Gate Nat'l Rec. Area*, No. C 08-00722 EDL, 2011 U.S.Dist.LEXIS 149232, \*9 (N.D. Cal. Dec. 29, 2011) (citing *C.B.S. Employees Federal Credit Union v. Donaldson, Lufkin & Jenrette*, 716 F.Supp. 307, 310 (W.D.Tenn. 1989) (granting motion to stay pending appeal, “[i]f [appellant]s are forced to incur the expense of litigation before their appeal is heard, the appeal will be moot, and their right to appeal would be meaningless”)).

Due to ongoing self-dealing and mismanagement, Storix will continue to lose money and may be insolvent by the end of the appeal process. (Johnson Decl. at ¶4.) If Johnson is made to pay the fee award now, and the fee award is overturned on appeal, he stands to lose more than half a million dollars. Further, the appeal would be meaningless if the judgment is executed now, due to Storix's ongoing siphoning off of company funds and mismanagement, which jeopardizes Johnson's chances of ever recovering back what is paid.

Moreover, a bond requirement would also cause irreparable injury. As an individual, Johnson would have to set aside the entire half-million dollar award in

a bank account to have the bonding company issue a bond. (Johnson Decl. at ¶3.) That will tie up a substantial amount of Johnson's assets, which will be incredibly harmful, as **that money is being used to generate income for Johnson**, because the one company he can work for (Storix) refuses to hire him. (Johnson Decl. at ¶3.)

Thus, a stay at this stage is required to prevent this severe harm.

#### **D. The Balance of Hardships Tips in Johnson's Favor**

The balance of hardships clearly favors Johnson in this instance. In determining whether to grant or deny a stay or injunction pending appeal, the court considers the relative hardships its decision would place on each party to the litigation. Where appropriate, the court will act to preserve the status quo and minimize harm. *See Golden Gate Restaurant Ass'n*, 512 F.3d at 1125-1126; *Azurin v. Von Raab*, 792 F.2d 914, 915 (9th Cir. 1986) (stay granted pending appeal to maintain status quo and guard against dissipation of assets).

Johnson has a strong probability of obtaining a favorable outcome from this Court, and he respectfully asks that this Court rule based on the benefit of keeping the status quo and the lack of harm to Storix from waiting to enforce the judgment until absolutely necessary.

#### **E. Public Interest Compels Stay of Execution of Fee Award**

In cases where third parties are affected, courts must consider the public interest. *See Warm Springs Dam Task Force v. Gribble*, 565 F.2d 549, 551 (9th

Cir. 1977). Stays “serve the public interest” when they “would promote the important policy goals of judicial efficiency and economy.” *Stern v. Cingular Wireless Corp.* No. CV-05-8842, 2006 U.S.Dist.LEXIS 96312, at \*3, \*6 (C.D.Cal. Sep. 11, 2006). The *Stern* court granted the stay, finding that policy goals of judicial efficiency and economy were in the public interest. *Stern* at \*8.

Here, a stay would serve the public interest. The policy goals of judicial efficiency and economy warrant a stay. The verdict and the fee award have a strong likelihood of being overturned on appeal. Thus, the cost-saving measure of granting a stay until attorneys’ fees are conclusively determined on appeal will ensure that the parties need not incur additional legal fees to coordinate repayment of fees, especially when those fees are in jeopardy of never being repaid.

#### **IV. CONCLUSION**

For the reasons stated above, Johnson respectfully asks that this Court stay the district court’s Fee Order (Dkt. No. 246) pending resolution of the appeal.

Dated: December 20, 2016

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