

APPENDIX
UNPUBLISHED CASES

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United States District Court,
N.D. California.
ABBOTT DIABETES CARE INC. et al, Plaintiff,
v.
ROCHE DIAGNOSTICS CORPORATION et al,
Defendant.
No. C05-03117 MJJ.

April 27, 2007.

[Rohit K. Singla](#), Munger Tolles & Olson, San Francisco, CA, [James W. Cannon, Jr.](#), [William P. Johnson](#), Baker Botts L.L.P., Austin, TX, [Maria Boyce](#), Baker Botts L.L.P., Houston, TX, for Plaintiff.

ORDER GRANTING ROCHE'S AND BAYER'S MOTIONS FOR PARTIAL SUMMARY JUDGMENT ON LACHES DEFENSES

[MARTIN J. JENKINS](#), United States District Judge.

INTRODUCTION

*1 Before the Court are the motions for partial summary judgment brought by defendants Roche (Docket No. 225) and Bayer (Docket No. 207), both seeking entry of an order granting summary judgment on their defenses of laches. Plaintiff Abbott opposes both motions.

For the following reasons, the Court **GRANTS** both motions.

FACTUAL BACKGROUND

Abbott's '551 patent issued on October 13, 1998, at a time that Roches' Comfort Curve test strips and Bayer's AUTODISC were already on sale in the United States. For purposes of this motion, the evidence shows, and the parties do not dispute, that Abbott had actual or constructive knowledge of the allegedly infringing nature of these two products by late 1998. Abbott filed the instant patent infringement action against Roche and Bayer on August 1, 2005,

but its initial Preliminary Infringement Contentions did not identify Comfort Curve or AUTODISC as accused products. On May 15, 2006, Abbott brought a motion leave to amend its Preliminary Infringement Contentions to add the Comfort Curve and AUTODISC products as accused products (Docket No. 94), which this Court granted on July 31, 2006 (Docket No. 191).

Based on the more than seven year delay between Abbott's undisputed actual or constructive knowledge in late 1998 of the alleged infringement of the '551 patent by the Comfort Curve and AUTODISC products, and Abbott's assertion of infringement against these two products on May 15, 2006, Roche and Bayer now seek summary judgment granting their laches defenses.

LEGAL STANDARD

A. Summary Judgment

[Rule 56\(c\) of the Federal Rules of Civil Procedure](#) authorizes summary judgment if there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. [Anderson v. Liberty Lobby, Inc.](#), 477 U.S. 242, 247-48, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). The moving party bears the initial burden of demonstrating the basis for the motion and identifying the portions of the pleadings, depositions, answers to interrogatories, affidavits, and admissions on file that establish the absence of a triable issue of material fact. [Celotex Corp. v. Catrett](#), 477 U.S. 317, 323, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). If the moving party meets this initial burden, the burden then shifts to the non-moving party to present specific facts showing that there is a genuine issue for trial. [Fed.R.Civ.P. 56\(e\)](#); [Celotex](#), 477 U.S. at 324; [Matsushita Elec. Indus. Co. v. Zenith Radio Corp.](#), 475 U.S. 574, 586-87, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986). The non-movant's bare assertions, standing alone, are insufficient to create a material issue of fact and defeat a motion for summary judgment. [Anderson](#), 477 U.S. at 247-48. An issue of fact is material if, under the substantive law of the case, resolution of the factual dispute might affect the case's outcome. [Id.](#) at 248. Factual disputes are genuine if they "properly can be resolved in favor of either

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party.” *Id.* at 250. Thus, a genuine issue for trial exists if the non-movant presents evidence from which a reasonable jury, viewing the evidence in the light most favorable to that party, could resolve the material issue in its favor. *Id.* However, “[i]f the [non-movant’s] evidence is merely colorable, or is not significantly probative, summary judgment may be granted.” *Id.* at 249-50 (internal citations omitted).

B. Laches

*2 To invoke the laches defense in a patent infringement action, an accused infringer has the burden to prove two factors: that (1) “the plaintiff delayed filing suit for an unreasonable and inexcusable length of time from the time the plaintiff knew or reasonably should have known of its claim against the defendant”, and that (2) “the delay operated to the prejudice or injury of the defendant.” *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1032 (Fed.Cir.1992) (en banc).

The application of the equitable defense of laches is committed to the sound discretion of the district court. *Id.* A court must look at all of the particular facts and circumstances of each case and weigh the equities of the parties. *Id.*

“*Prima facie*, the underlying critical factors of laches are presumed upon proof that the patentee delayed filing suit for more than six years after actual or constructive knowledge of the defendant’s alleged infringing activity.” *Id.* at 1035-36. Where the presumption applies, the two facts of unreasonable delay and material prejudice “*must* be inferred, absent rebuttal evidence.” *Id.* at 1037 (emphasis in original). The presumption of laches shifts the burden of production (but not the burden of persuasion) to the plaintiff to offer proof either that the patentee’s delay was reasonable, or that the defendant suffered no prejudice, or both. *Id.* at 1038. The plaintiff must provide evidence sufficient to put the existence of either the presumed fact of unreasonable delay, or the presumed fact of prejudice, into genuine dispute-i.e., sufficient to support a finding of the nonexistence of the presumed fact. *Id.* at 1037. If the plaintiff provides such evidence, raising a genuine issue respecting either unreasonable delay or prejudice, the presumption disappears entirely as to both factors and the accused infringer is put to its proof on the entirety of the laches defense. *Id.* at 1038; see also *Hemstreet v.*

Computer Entry Systems Corp., 972 F.2d 1290, 1293 (Fed.Cir.1992) (“the presumption of laches which arises after a defendant proves a six-year delay is a ‘double-bursting bubble’ which the plaintiff punctures with introduction of evidence sufficient to raise a genuine dispute as to *either* delay or prejudice.”) (emphasis in original).

Ultimately, the establishment of the factors of undue delay and prejudice, whether by actual proof or by the presumption, does not mandate recognition of a laches defense in every case. *Aukerman*, 960 F.2d at 1036. Laches remains an equitable judgment of the trial court in light of all the circumstances. *Id.* If the decision on laches is made on summary judgment, there must be no genuine issues of material fact, the burden of proof of an issue must be correctly allocated, and all pertinent factors must be considered. *Id.* at 1039.

ANALYSIS

A. The Presumption Of Laches Applies For Both Roche And Bayer.

*3 The '551 patent issued on October 13, 1998. Abbott does not contest the extensive evidence submitted by Roche and Bayer establishing that, after the patent issued, more than six years transpired between when Abbott knew or should have known of these defendants’ allegedly infringing activities, and when Abbott first asserted infringement under the '551 patent against Roche’s Comfort Curve test strips and Bayer’s AUTODISC product.

With respect to Roche, the undisputed evidence shows that Abbott had studied the Comfort Curve strips and had actual or constructive knowledge of the strip’s alleged infringement of the '551 patent by late 1998. (Alva Depo. at 246, 250, 256, 279-80, 286-91, Tyler Decl., Exh. B.) Abbott did not move to amend its Preliminary Infringement Contentions to add the Comfort Curve test strips to the list of products that allegedly infringed the '551 patent until May 15, 2006, more than seven years later. In its opposition, Abbott does not contest that this period of delay is sufficient to trigger the presumption of laches.

With respect to Bayer, the undisputed evidence shows that Abbott had studied the AUTODISC product and had actual or constructive knowledge of the product’s alleged infringement of the '551 patent by late 1998.

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(Alva Depo. at 242-245, 249-50, 252, Bartlett Decl., Exh. 14.) Abbott did not move to amend its Preliminary Infringement Contentions to add the AUTODISC product to the list of products that allegedly infringed the '551 patent until May 15, 2006, more than seven years later. In its opposition, Abbott does not contest that this period of delay is sufficient to trigger the presumption of laches.

The Court therefore applies a presumption of laches with respect to both Roche and Bayer. Accordingly, unreasonable delay and material prejudice “*must* be inferred, absent rebuttal evidence.” [Aukerman, 960 F.2d at 1037](#) (emphasis in original). The burden of coming forward with “evidence sufficient to support a finding of the nonexistence of a presumed fact” is shifted to Abbott. *Id.* at 1037. Abbott can meet its burden of production, and “burst” the presumption bubble, by introducing “evidence sufficient to raise a genuine dispute as to *either* delay or prejudice.” [Hemstreet, 972 F.2d at 1293](#).

B. Reasonableness Of Abbott's Delay.

To overcome the presumed fact of unreasonable delay, Abbott “bears the burden only of coming forward with sufficient evidence to raise a genuine factual issue respecting the reasonableness of its conduct.” [Aukerman, 960 F.2d at 1039](#). The Court, carefully considering all of the evidence submitted by Abbott, finds that Abbott has failed to meet this burden.

1. Delay In Asserting Infringement Against Roche's Comfort Curve Strips.

Abbott asserts several justifications for its delay in asserting infringement against Roche's Comfort Curve products. In particular, Abbott contends that its delay is excused because: (1) Abbott was engaged in the *LifeScan* litigation, of which Roche was aware, from October 1998 through September 2003, (2) Abbott had ongoing licensing negotiations with Becton, Dickinson and Company (“BD”) beginning April 2003, and (3) Abbott engaged in litigation against BD starting in 2004, with the '551 patent added to that litigation in March 2005. The Court addresses each of these rationales in turn.

*4 First, Abbott contends that its litigation against *LifeScan*, commenced the day the '551 patent issued in 1998 and lasting through settlement in 2003, excuses

its delay in waiting until 2006 to asserting infringement against Roche's Comfort Curve products. However, the evidence submitted by Abbott on this point is limited to the fact that the lawsuit existed during this period (Hutcheson Decl., ¶¶ 2-3, Exh. B), and that Roche was aware of and monitored the lawsuit for several years. (Young Depo. at 23-29, 70-73, Hutcheson Decl., Exh. G.). Abbott contends that this evidence creates a genuine issue of material fact as to whether its delay is excusable and therefore overcomes the presumption.

The Court disagrees. Abbott's limited submission of evidence concerning the *LifeScan* litigation is insufficient to raise a genuine factual issue respecting the reasonableness of its delay. Of particular importance, Abbott provides no evidence whatsoever indicating that its delay in bringing claims against Roche's Comfort Curve strips was even attributable to the *LifeScan* litigation. Abbott also provides no evidence indicating that the mere existence of the lawsuit gave Roche reason to believe it would be sued next, and no evidence that Roche in fact did believe it would be sued next. The Court cannot conclude, merely from the existence of the lawsuit and Roche's awareness of the lawsuit, that Abbott's delay was justified or that Roche should have maintained a reasonable apprehension that its Comfort Curve products would be sued.

Abbott's evidentiary showing concerning the *LifeScan* case fall particularly short because it is undisputed that, despite the fact that Abbott and Roche were engaged in cross-licensing discussions regarding various patents 1998 through 2006, including patents relating to [diabetes](#) care and blood glucose monitoring (Young Depo. at 33-34, 91, Tyler Decl., Exh. HH; Tyler Decl., Exh. JJ), Abbott never raised the '551 patent or *LifeScan* litigation, nor conveyed notice of an intent to sue to Roche. Against the backdrop of continuous licensing negotiations, Abbott's undisputed failure to provide any form of notice to Roche about its reasons for delay renders the mere pendency of the *LifeScan* lawsuit an insufficient excuse. While Abbott is correct that *Aukerman* teaches that there is no rigid requirement in judging a laches defense that a patentee give notice of the reasons for its delay ([Aukerman, 960 F.2d at 1039](#)), it is also true that “the equities may or may not require that the plaintiff communicate its reasons for delay to the defendant” (*id.* at 1033). In particular, as is the case here, “where there is prior

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contact, the overall equities may require appropriate notice ...” *Id.* at 1039.

Abbott's position attaches talismanic importance to the fact that it engaged in other litigation concerning the '551 patent, citing *Aukerman* and *Hemstreet*. But though *Aukerman* recognizes that “other litigation” has been recognized as a justification for delay “in some instances” (960 F.2d at 1033), there must be an plausible explanation based upon evidence for why the other litigation makes the delay reasonable. The evidence submitted by Abbott here fails to establish the kinds of litigation-related justifications that excused delay elsewhere. See, e.g., *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 878 (Fed.Cir.1991) (correspondence between parties during delay acknowledged a continuing conflict); *Hemstreet v. Computer Entry Systems Corp.*, 972 F.2d 1290, 1293 (Fed.Cir.1992) (presumption overcome by evidence that delay was attributable both to litigation and re-examination proceeding, and that individual investor alerted industry to sequential license-or-litigate strategy).^{FN1}

^{FN1}. Two pre-*Aukerman* cases cited by Abbott at oral argument, *Maxon Premix Burner Co. v. Eclipse Fuel Eng'g Co.*, 471 F.2d 308 (7th Cir.1972) and *Armstrong v. Motorola, Inc.*, 374 F.2d 764 (7th Cir.1967), do not point to a different result. *Maxon* does not stand for a bright line rule as Abbott suggests, and is distinguishable its facts. 471 F.2d at 313. *Armstrong* is inapposite as it considered only an estoppel defense; the laches defense rejected by the trial court was not appealed. 374 F.2d at 768.

*5 Second, Abbott contends that licensing discussions with Becton, Dickinson and Company (“BD”) beginning in April 2003 excuse its delay in asserting infringement against Comfort Care strips. However, the very evidence submitted by Abbott shows that these licensing discussions were with an unrelated party regarding an unrelated patent. (Hutcheson Decl., ¶¶ 5, 7 & Exh. E). While progressing efforts to resolve a patent dispute through negotiation can justify delay in bringing suit regarding that dispute, unrelated negotiations with unrelated parties are not a sufficient basis for justifying the delay shown here. Cf. *Griese v. Pi-erre Chem. Co.*, 29 F.Supp.2d 33, 40-41 (D.Mass.1998) (rejecting notion that “negotiations

with parties other than the defendants excuse delay in bringing suit against the defendants.”). Moreover, Abbott has introduced no evidence into the record explaining why unrelated negotiations with third parties prevented it from filing suit against Roche.

Third, Abbott contends that litigation between Abbott and BD, which commenced in May 2004 but did not add the '551 patent until March 2005, excuses the delay. Once again, however, Abbott's evidence on this point is limited to the fact that the litigation existed (Hutcheson Decl., ¶ 7) and the fact that Roche became aware of it shortly after August 2005 (Young Depo. at 31, Hutcheson Decl., Exh. G.) This evidence fails to overcome the presumption for the same reasons discussed in connection with the *Lifescan* litigation above. Moreover, because the '551 patent was not added to the litigation between Abbott and BD until March 2005, more than six years after the laches period began to run in 1998, this lawsuit cannot serve as an excuse for the six-year period that triggers the laches presumption.

The Court is unable to draw any reasonable inferences from the evidence submitted by Abbott that would permit it to conclude that the delay was justified. This is particularly true when it is undisputed that Abbott waited well into this litigation before seeking to assert infringement against the Comfort Curve test strips, and had no intention of asserting infringement against the Comfort Curve test strips when it first filed suit.^{FN2} The Court finds that Abbott has not produced sufficient evidence to “pierce the bubble” of the presumption of unreasonable delay with respect to Roche.

^{FN2}. In its July 2006 motion papers seeking leave to amend its Preliminary Infringement Contentions to add the Comfort Curve and AUTODISC products, Abbott argued that it “did not originally intend to add the newly accused products in the present suit and had not studied infringement by those products prior to bringing suit; otherwise, Abbott would have included the newly accused products in its Preliminary Infringement Contentions.” (Docket No. 144-1 at 9:10-13.)

2. Delay In Asserting Infringement Against Bayer's AUTODISC Product.

Abbott asserts several justifications for its delay in

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asserting infringement against Bayer's AUTODISC products. In particular, Abbott contends that its delay is excused because: (1) Abbott was engaged in the *LifeScan* litigation, of which Bayer was aware, from October 1998 through September 2003, (2) Abbott had ongoing licensing negotiations with Becton, Dickinson and Company ("BD") beginning April 2003, (3) Abbott engaged in litigation against BD starting in 2004, with the '551 patent added to that litigation in March 2005; and (4) Abbott and Bayer were engaged in negotiations, and then litigation, over various patents and technologies from 1999 through the end of 2005.

*6 The first three proffered excuses are insufficient for the same reasons discussed above in connection with Roche. As with Roche, the evidence submitted by Abbott regarding the *LifeScan* litigation is limited to the fact that the lawsuit existed during this period (Hutcheson Decl., ¶¶ 3-4, Exhs. B & C), and that Bayer was aware of and monitored the lawsuit for several years. (Lorch Depo. at 102-03, Hutcheson Decl., Exh. G). Abbott provides no evidence whatsoever indicating that its delay in bringing claims against Bayer's AUTODISC product was connected to the *LifeScan* litigation, or that the mere existence of the lawsuit gave Bayer reason to believe it would be sued next. Abbott's limited submission of evidence concerning the *LifeScan* litigation and its negotiations with and litigation against BD are insufficient to raise a genuine factual issue respecting the reasonableness of its delay.

Abbott proffers the additional justification that Abbott and Bayer were engaged in a series of negotiations, and then litigation, regarding the cross-licensing of Abbott's and Bayer's patents related to prostate testing technology. (Blackwood Depo. at 20, 23, 69-70, 73-74, 83, Hutcheson Decl., Exh. H.) But the testimony cited by Abbott on this point leaves undisputed the fact that these negotiations concerned a different technology. Abbott offers no explanation-let alone evidence meeting their burden of production-explaining why discussions and litigation with Bayer regarding different patents and different technology excuse the delay in asserting the '551 patent. *See ABB Robotics v. GMFanuc Robotics Corp.*, 828 F.Supp. 1382, 1392 (E.D.Wis.1993) (negotiations with accused infringer over different technology did not overcome presumption of unreasonable delay); *Arctic Cat, Inc.*, 362 F.Supp.2d at 1121 (pending trade secret dispute with

accused infringer did not overcome presumption of unreasonable delay).^{FN3} Moreover, Abbott does not dispute that the sole time the '551 patent arose during these negotiations was at a November 1999 meeting during which Abbott asserted that Bayer's products infringed a claim of that patent and needed a license. (Bartlett Decl, Ex. 5 at ¶¶ 2-8.) Abbott offers no evidence or rationale explaining the more than six year delay that ensued between November 1999 and May 2006 when it first asserted infringement in litigation against the AUTODISC product.

^{FN3}. Abbott cites *Cedarapids, Inc. v. CMI Corp.*, 2000 U.S. Dist. LEXIS 22743 (N.D.Iowa 2000) for the proposition that other litigation with Bayer excuses any delay in filing suit. In *Cedarapids*, however, the patentee offered a plausible explanation as to why it had directed its resources first to the other litigation, and why it had reasonably decided to wait out an administrative stay during which it could not bring patent infringement counterclaims. *Id.* at *25-27. Abbott has not introduced evidence making any similar showing here.

The Court is unable to draw any reasonable inferences from the evidence submitted by Abbott that would permit it to conclude that the delay was justified, particularly when it is undisputed that Abbott waited well into this litigation before seeking to assert infringement against the AUTODISC product and had no intention of asserting infringement against the AUTODISC test strips when it first filed suit.^{FN4} The Court finds that Abbott has not produced sufficient evidence to "pierce the bubble" of the presumption of unreasonable delay with respect to Bayer.

^{FN4}. See footnote 2, *supra*.

C. Material Prejudice.

*7 Material prejudice "may be either economic or evidentiary." *Aukerman*, 960 F.2d at 1033. A showing of either evidentiary or economic prejudice constitutes material prejudice. *Id.* As with the element of unreasonable delay, material prejudice is presumed and Abbott bears the burden of production.

1. Economic Prejudice.

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“Economic prejudice may arise where a defendant will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit.” [Aukerman, 960 F.2d at 1033](#). Expenditures and investments must have a “nexus” to the patentee’s delay in filing suit. [Hemstreet, 972 F.2d at 1294](#). “It is not enough that the alleged infringer changed his position-i.e., invested in production of the allegedly infringing device. The change must be because of and as a result of the delay, not simply a business decision to capitalize on a market opportunity.” *Id.*^{FN5} However, “there is a difference between prejudice that results from delay and prejudice that is due to reliance upon delay.” [Meyers v. Asics Corp., 974 F.2d 1304, 1308 n. 1 \(Fed.Cir.1992\)](#). Defendants “need not show that they relied on [the patentee’s] delay to establish laches. However, they must show that the prejudice they suffered resulted from the delay.” *Id.*

^{FN5}. The Federal Circuit has observed that “economic prejudice is not a simple concept but rather is likely to be a slippery issue to resolve.” [Aukerman, 960 F.2d at 1033](#).

Because of the presumption, Abbott bears the burden of production and must come forward with evidence sufficient to raise a genuine factual issue as to whether economic prejudice exists. Roche and Bayer both submit extensive evidence documenting the investments and expenditures in their products that took place during the laches period, and Abbott does not contest these undisputed facts. Instead, Abbott solely contests whether these investments and expenditures would have been prevented by an earlier suit; i.e., Abbott contests whether the required “nexus” exists between the expenditures and the delay.

a. Economic prejudice as to Roche.

Abbott presents four pieces of evidence designed to prove that no nexus exists between the delay in filing suit and Roche’s investments and expenditures. First, Abbott submits testimony from Roche’s Chief Intellectual Property Counsel. Drawing all reasonable inferences in favor of the nonmoving party (Abbott), this somewhat ambiguous testimony can be read to state that the only basis for Roche’s continuing investment in Comfort Curve strips was an undisclosed oral opinion of counsel. (Young Depo at 87,

Hutcheson Decl., Exh. G.) Second, Abbott submits testimony from Roche’s 30(b) (6) witness on the issue on economic prejudice, in which the witness testified that he was not aware of any documents indicating that Roche was unlikely to be sued by Abbott for infringement of the ‘551 patent, or any documents indicating that Roche’s investments were made because of some conduct by Abbott. (Hubbard Depo. at 43 & 47, Hutcheson Decl., Exh. H.) Third, Abbott submits evidence that Roche, after being sued, did not change its business plans for either the Aviva or Comfort Curve accused products, continued to sell those products, and continued to invest in those products. (Hubbard Depo. at 39, 43, 66-67, 79, Hutcheson Decl., Exh. H; McKee Depo. at 23-25, Hutcheson Decl., Exh. I.) Fourth, Abbott submits evidence that Roche never considered pulling a product off the market, or halting introduction of a product, due to the ‘551 patent. (Young Depo. at 58:, Hutcheson Decl., Exh. G.) Based on this evidence, Abbott asks the Court to infer that the requisite “nexus” does not exist because Roche would have made same investments and pursued the same business plan even if Abbott had asserted infringement earlier.

*8 The Court finds that, drawing all reasonable inferences from the evidence submitted by Abbott, Abbott has provided sufficient evidence to support a finding of the nonexistence of the required “nexus” for economic prejudice. The evidence provided by Abbott is indirect and not nearly as compelling as Abbott advocates.^{FN6} Nonetheless, a reasonable factfinder, drawing all reasonable inferences in favor of Abbott, could potentially conclude from the evidence submitted by Abbott that Roche would not have altered its investments or expenditures even if sued earlier.^{FN7} Cf. [James River Corp. of Virginia v. Hallmark Cards, Inc., 915 F.Supp. 968, 978 \(E.D.Wis.1996\)](#) (“An infringer’s continuation of infringing activity is probative of a lack of prejudice. Where no evidence shows the infringer stopped selling the allegedly infringing product even after the patentee filed the complaint, a court may draw the inference that the infringer would have continued to sell the infringing product even if the patentee had brought suit earlier.”) Accordingly, Abbott has succeeded at overcoming the presumption of economic prejudice with respect to Roche.

^{FN6}. In particular, Abbott places undue emphasis on the argument that its evidence shows that Roche did not *rely* on the delay in

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filing suit as a basis for making its continued investments and sales. Reliance on the delay, however, is not required to show economic prejudice. *Meyers*, 974 F.2d at 1308 n. 1; cf. *Aukerman*, 960 F.2d at 1034 (contrasting laches and equitable estoppel principles).

FN7. Roche and Bayer invite the Court to rely on language in *Odetics, Inc. v. Storage Tech Corp.*, 919 F.Supp. 911 (E.D.Va.1996), vacated in part on other grounds, 116 F.3d 1497 (Fed.Cir.1997), indicating that the accused infringer need only “show that the investment was a natural consequence of the passage of time” to establish the nexus. *Id.* at 919. However, this somewhat loosely-worded passage, if taken out of context, does not entirely square either with Federal Circuit precedent nor other discussion in *Odetics* itself. As *Odetics* recognized, the inquiry properly focuses on whether the investment was causally connected to the delay. “[W]here it appears that the accused infringer would have invested in the accused product or otherwise changed his financial position even if suit had not been delayed ... the accused infringer may not cry laches because the change in economic position did not result from the delay.” *Id.* at 919 (citing *Hemstreet*, 972 F.2d at 1294).

With the presumption overcome as to this issue, this Court considers whether the “nexus” issue is nonetheless ripe for resolution by summary judgment. After reviewing the countervailing evidence submitted by Roche on this issue **FN8**, the Court concludes that the issue is not amenable to summary judgment. Based on the evidence submitted, the parties are asking the Court to draw differing reasonable inferences from the evidence as to whether Roche would have altered its investments or expenditures if sued earlier. Because the Court is obligated at the summary judgment stage to draw all reasonable inferences in favor of Abbott, the issue of economic prejudice cannot be resolved short of trial.

FN8. The evidence submitted by Roche on the nexus issue includes: (1) increasing market share and sales, (2) linkage between Roche's belief in noninfringement and the *LifeScan* case, a European counterpart patent,

and Abbott's failure to sue, and (3) Roche's procedures of resolving potential patent liability through licensing efforts.

b. Economic prejudice as to Bayer.

With respect to Roche, Abbott presents four pieces of evidence designed to prove that no nexus exists between the investments and expenditures and the delay in filing suit. First, Abbott introduces testimony from Bayer's senior marketing manager that she had never seen documents suggesting Bayer continued to invest based on any assumption that Bayer did not infringe Abbott's patents. (O'Neill Depo. at 193-196, Hutcheson Decl., Exh. I.) Second, Abbott presents evidence that Bayer continued marketing and promoting the AUDODISC product pursuant to its pre-existing business plans even after Abbott filed this lawsuit in August 2005. (Lorch Depo. at 48-49, 58; Hutcheson Decl., Exh. G.) Third, Abbott submits evidence (which this Court views as largely irrelevant) that Bayer's sales of the AUTODISC products did not always meet forecasted projections. (Lorch Depo. at 109-110, Hutcheson Decl., Exh. G.) Fourth, Abbott submits evidence that Bayer never considered pulling a blood glucose product off the market or failing to introduce a product to the market due to Abbott's patents. (O'Neill Depo. at 111; Hutcheson Decl., Exh. I; Blackwood Depo. at 55-56, Hutcheson Decl., Exh. H.) Based on this evidence, Abbott asks the Court to infer that the requisite “nexus” does not exist because Bayer would have made same investments and pursued the same business plan even if Abbott had asserted infringement earlier.

***9** As with Roche, the Court finds that, drawing all reasonable inferences from the evidence submitted by Abbott, Abbott has provided sufficient evidence to support a finding of the nonexistence of the required “nexus” for economic prejudice. A reasonable factfinder, drawing all reasonable inferences in favor of Abbott, could potentially conclude from the evidence submitted by Abbott that Bayer would not have altered its investments or expenditures even if sued earlier. Accordingly, Abbott has therefore succeeded at “bursting the bubble” and overcoming the presumption of economic prejudice with respect to Bayer. After considering the evidence submitted by Bayer on the “nexus” issue **FN9**, the Court concludes that it is not amenable to summary judgment. Once again, the parties are asking the Court to draw differing rea-

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sonable inferences from the evidence as to whether Bayer would have altered its investments or expenditures if sued earlier.

FN9. The evidence submitted by Bayer on the nexus issue includes: (1) increasing investment and sales, (2) the existence of noninfringing alternatives, and (3) Bayer's procedures of resolving potential patent liability through licensing efforts.

Abbott has met its burden of production with respect to economic prejudice. However, this is not fatal to the instant motions as the Court must still analyze whether Abbott has met its burden of production with respect to evidentiary prejudice.^{FN10}

FN10. See ABB Robotics, Inc. v. Robotics Corp., 828 F.Supp. 1386 (E.D.Wis.1993) (granting summary judgment of laches where patentee overcame presumption of evidentiary prejudice but did not overcome presumptions of unreasonable delay or economic prejudice).

2. Evidentiary Prejudice.

Evidentiary prejudice may arise where the “defendant's ability to present a full and fair defense on the merits due to the loss of records, the death of a witness, or the unreliability of memories of long past events” undermines the Court's ability to judge facts. Aukerman, 960 F.2d at 1033.

As an initial matter, Abbott cites to Federal Rule of Civil Procedure 37(d) for the proposition that neither Roche nor Bayer may present evidence on the point of evidentiary prejudice because they purportedly refused to put forth a Rule 30(b)(6) witnesses on the subject of evidentiary prejudice. The Court construes this as a request by Abbott that the Court enter an evidentiary sanction under Rule 37(d), which permits such sanction “if ... a person designated under Rule 30(b)(6) ... fails ... to appear before the officer who is to take the deposition, after being served with a proper notice.” The record here indicates, however, that neither Roche and Bayer designated a 30(b)(6) witness who then failed to appear; instead, Roche and Bayer both refused to designate 30(b)(6) witnesses on the topic of evidentiary prejudice but produced 30(b)(6) witnesses on other topics. (Hubbard Depo. at 14,

Hutcheson Decl., Exh. H; O'Neil Depo at 35, Hutcheson Decl. Exh. I.) Accordingly, it is not Rule 37(d) that governs here, but Rule 37(a)(2), which covers situations where “a corporation or other entity fails to make a designation under Rule 30(b)(6).” Because Rule 37(a)(2) does not authorize evidentiary sanctions unless there is a violation of a court order secured through a motion to compel, the Court declines to impose the evidentiary sanction sought by Abbott.

In any event, there is no need to reach the evidence submitted by Roche and Bayer, because Abbott has failed to meet its burden of production by coming forth with sufficient *evidence* to negate the *presumed* fact of evidentiary prejudice. Hall v. Aqua Queen Mfg., Inc., 93 F.3d 1548, 1554 (Fed.Cir.1996) (under the presumption, “defendants could have remained utterly mute on the issue of prejudice and nonetheless prevailed”). With respect to Roche, the only evidence submitted by Abbott with its opposition on the topic of evidentiary prejudice is: (1) a conclusory sentence in its counsel's declaration that Roche's invalidity contentions with respect to the '551 Patent are “based primarily on printed publications” (Hutcheson Decl. ¶ 8); and (2) deposition testimony indicating that one specific witness, the project leader that was in charge of Comfort Curve, remains at Roche. (Hubbard Depo at 22-23, Hutcheson Decl., Exh. H; Young Depo. at 18, Hutcheson Decl., Exh. G.) With respect to Bayer, Abbott submits even less evidence with its opposition, providing only the statement that Bayer's invalidity defenses are “based primarily on printed publications” in counsel's declaration. (Hutcheson Decl. ¶ 9.) Otherwise, Abbott's opposition presents only attorney argument that Roche and Bayer have the same evidence available to them today as it would have if the case had been filed in 1998, and that Roche and Bayer have presented no evidence of evidentiary prejudice.

***10** This evidentiary showing in Abbott's opposition is insufficient to overcome the presumption. Evidence that a single witness remains accessible to Roche, even if that witness is important to infringement issues, falls far short of establishing that Roche's ability to put on a “full and fair defense” has not been compromised. Abbott does not muster any evidence regarding the availability of witnesses to Bayer. Moreover, Abbott's evidence that Roche's and Bayer's invalidity contentions “primarily” rely on printed publications, even if accepted, leaves entirely unaddressed whether there

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has been a loss of records or reliable witness testimony in connection with numerous other issues in the case. For several such issues, including inequitable conduct and inventorship issues, much of the the most relevant evidence would presumably be under Abbott's control, yet Abbott presents no evidence that adequately addresses whether Roche's and Bayer's ability to present defenses relating to these issues has been preserved.

At oral argument on March 27, Abbott requested for the first time to supplement the record with a declaration signed by Dr. Hill on March 23 addressing allegations raised by Roche and Bayer in their reply briefs regarding the loss of documents, and loss of reliable testimony, connected to Dr. Hill. Though Abbott was on notice before it filed its opposition that at least Roche regarded the testimony of Dr. Hill as affirmative proof that evidentiary prejudice existed (Tyler Decl., Exh. NN at 2), the Court will nonetheless admit and consider this declaration, to provide Abbott an opportunity to rebut the specific passages from Dr. Hill's testimony first set forth in detail by Roche and Bayer in their reply briefs.^{[FN11](#)}

[FN11.](#) The Court therefore OVERRULES Roche's and Bayer's objection that the supplemental March 23, 2007 declaration of Dr. Hill is untimely.

Even taking this supplemental declaration into account, however, the Court finds that Abbott has failed to introduce evidence sufficient to support a finding of the nonexistence of the presumed fact of evidentiary prejudice. At best, the supplemental declaration of Dr. Hill partly neutralizes some of the specific proof of document destruction that Roche and Bayer had introduced into the record in connection with their reply briefs.^{[FN12](#)} However, the supplemental declaration does not remedy Abbott's overall failure to establish that the ability of Roche and Bayer to put on a "full and fair defense" is intact.

[FN12.](#) As Roche and Bayer point out, Dr. Hill testified at deposition that in 2004, when he downsized his office at Oxford due to retirement status, he threw out files that contained "every research report written by the people working for MediSense", specifically including research related to the '551 patent. (Hill Depo. at 82, 215-216, Tyler Decl., Exh. OO.) Dr. Hill testified that the volume of

documents that were discarded consisted of eight black garbage bags, each about four feet high and a meter wide. (*Id.* at 84.) Moreover, it appears from Dr. Hill's testimony that some of the documents discarded included the only copies of lab notebooks that Oxford maintained. (*Id.* at 84-85.) Dr. Hill's supplemental March 23, 2007 declaration now indicates that "[w]ith regard to any materials related to the '551 Patent that may have been discarded in 2004," he had previously provided the originals or copies of these materials for production in the earlier *LifeScan* litigation to counsel for Abbott. (March 23, 2007 Hill Decl. at ¶ 4.) However, neither Dr. Hill's declaration nor any other evidence submitted by Abbott indicates that such documents still exist or whether they have been provided to Defendants. Dr. Hill's declaration also indicates that he provided testimony in the *LifeScan* litigation "related to research that led to the inventions disclosed and claimed in the '551 Patent" (*id.* at ¶ 5) but does not address the memory loss issues raised by Roche and Bayer.

Because Abbott has failed to meet its burden of production, evidentiary prejudice "must be inferred" here. [Aukerman, 960 F.2d at 1037.](#)^{[FN13](#)}

[FN13.](#) As noted above, because Abbott has failed to meet its burden of production, the Court need not reach the question of whether the affirmative evidence submitted by Roche and Bayer that Dr. Hill's memory regarding important testimony has faded (Hill Depo. at 60, 119, Tyler Decl. Exh. OO) would be sufficient to establish evidentiary prejudice in the absence of the presumption. The Court has reviewed this evidence as part of its equitable weighing of the factors, but accords it relatively little importance given that the record does not establish that Dr. Hill's memory of these events were still intact at the *start* of the laches period.

D. Abbott Fails To Establish Unclean Hands.

Even where unable to overcome the presumption of laches (as is the case here), a patentee may be able to preclude application of the laches defense if the ac-

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cused infringer has unclean hands. [Aukerman, 960 F.2d at 1033](#). Abbott asserts that Roche's and Bayer's willful infringement constitutes unclean hands sufficient to deny the laches defense.

In an effort to prove Roche's willful infringement, Abbott submits evidence that although Roche was aware of the '551 patent, has sophisticated intellectual property procedures, and had outside counsel monitoring the the *LifeScan* litigation, Roche never sought a written opinion of outside counsel, but instead merely obtained a oral opinion of in-house counsel regarding whether the Comfort Curve products infringe the '551 patent, which it has refused to disclose on attorney-client privilege grounds. (Young Depo. at 83-85, Hutcheson Decl., Exh. G.)

*11 Similarly, in an effort to prove Bayer's willful infringement, Abbott submits evidence that although Bayer was aware of the '551 patent and the *LifeScan* litigation in 1998, has sophisticated intellectual property procedures, and consulted in-house counsel about the patent in 1998 through 2000, Bayer did not obtain a written opinion of outside counsel on infringement until 2003, which it has refused to disclose on attorney-client privilege grounds. (Hutcheson Decl., Exh. F; Blackwood Depo. at 21-22, Hutcheson Decl., Exh. H.)

The Court finds that Abbott's attempt to prove willfulness with this evidence cannot be squared with controlling precedent. The Federal Circuit has decisively held, overruling all contrary precedent, that for purposes of willful infringement “no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer's failure to obtain or produce an exculpatory opinion of counsel.” [Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1341 \(Fed.Cir.2004\)](#) (en banc). Abbott, by premising its allegations of willful infringement on the fact that Roche and Bayer did not obtain and/or produce exculpatory opinions of counsel, asks this Court to draw exactly the sort of inference barred by *Knorr-Bremse*.^{FN14} The Court declines to do so.

^{FN14} Moreover, mere willful infringement, without something “particularly egregious” such as proof of calculated plagiarism, is generally considered insufficient to preclude application of the laches defense. [Aukerman,](#)

[960 F.2d at 1033](#) (“particularly egregious conduct” can change equities in plaintiff's favor and defeat a laches defense); *see also Odetics, Inc. v. Storage Tech, Inc., 14 F.Supp.2d 800, 806 (E.D.Va.1998), aff'd, 185 F.3d 1259 (Fed.Cir.1999)*. Even the cases cited by Abbott suggest that only “egregious conduct”, which Abbott has not proved, might bar application of equitable defense of laches. *See Bott v. Four Star Corp., 807 F.2d 1567, 1576 (Fed.Cir.1986)* (party accelerated its infringing sales after adverse decision on liability); [F & G Scrolling Mouse LLC v. IBM Corp., 190 F.R.D. 385, 393 \(M.D.N.C.1999\)](#) (“proof of sufficiently egregious willful infringement could prevent assertion of laches); [Haworth, Inc. v. Herman Miller, Inc., 1993 WL 761974 at *4 \(W.D.Mich.1993\)](#) (conduct that is “egregious enough” could prevent a laches defense).

Accordingly, Abbott has failed to meet its burden of proof with respect to its allegation of unclean hands.

E. Weighing Of Factors In Exercise Of This Court's Discretion.

After taking into account “all pertinent facts and equities” ([Aukerman, 960 F.2d at 1034](#)) based on undisputed facts, including the length of the delay (more than seven years) after Abbott had actual or constructive knowledge of the alleged infringement, the presumed and un rebutted fact of unreasonable delay, the lack of any plausible explanation offered by Abbott as to how its involvement in litigation or negotiations justified that delay, the fact that Abbott waited well into this litigation before seeking to assert infringement against the products at issue, the fact that Abbott had no intention of asserting infringement against the products at issue when it first filed suit, and the presumed and un rebutted fact of evidentiary prejudice, the Court concludes that Abbott dealt unfairly with Bayer and Roche by not promptly asserting infringement against the Comfort Curve and AUTO-DISC products. On that basis, the Court exercises its equitable discretion by granting Roche's and Bayer's motions.

CONCLUSION

For the foregoing reasons, the Court orders as follows:

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(1) The Court **GRANTS** Roche's motion for partial summary judgment of laches. Abbott's claims for damages prior to May 15, 2006 for Roche's Comfort Curve products are hereby barred.

(2) The Court **GRANTS** Bayer's' motion for partial summary judgment of laches. Abbott's claims for damages prior to May 15, 2006 for Bayer's AUTODISC products are hereby barred.

***12IT IS SO ORDERED.**

N.D.Cal.,2007.

Abbott Diabetes Care Inc. v. Roche Diagnostics Corp.
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END OF DOCUMENT

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(Cite as: 1984 WL 478431 (D.Mass.))

HOnly the Westlaw citation is currently available.

United States District Court, D. Massachusetts.
THE CHEDD-ANGIER PRODUCTION COMPANY,
INC., Plaintiff

v.

OMNI PUBLICATIONS INTERNATIONAL, INC.,
Defendant

No. Civ.A. 81-1188-MA.

Jan. 5, 1984.

Reconsideration Denied Jan. 25, 1984.

MEMORANDUM AND ORDER

MAZZONE, J.

*1 After trial on the merits, the jury in this matter found for the plaintiff, The Chedd-Angier Production Company, Inc. (Chedd-Angier), and awarded damages of \$223,175. The defendant, Omni Publications International, Ltd. (Omni), has moved, pursuant to [Rules 50\(b\)](#) and [59\(a\) of the Federal Rules of Civil Procedure](#), for judgment notwithstanding the verdict or for new trial. The parties have filed memoranda and affidavits in support of their respective positions. Because of the extended manner by which this case was pleaded and tried, a somewhat more complete background is necessary for a better understanding of the issues involved.

The factual background of this matter is as follows. Defendant Omni publishes *Omni* magazine, a monthly fact/science fiction periodical. In August, 1980, Robert Guccione, Chairman of the Board of Omni, and Kathryn Keeton, President of Omni, enlisted David J. Rothkopf to contact possible producers for a television project to be based on the concept of *Omni* magazine. Rothkopf was then a senior vice-president and creative director for Tilley, Marlieb & Alan, Inc. (TMA), the principal advertising agency for Omni. Rothkopf contacted John Angier and Graham Chedd, the principals of Chedd-Angier, who had experience in the production of science-oriented television programs for public television.

The parties executed a written letter agreement (the

“letter agreement”) with budget attached, dated December 8, 1980, in which Chedd-Angier agreed to produce a one-hour pilot television program. On or about January 19, 1981, Guccione directed Chedd-Angier to produce an 8-10 minute promotional tape for the program, and authorized an additional payment of \$45,000 for its production. *See Ex. # 28.* A rough preliminary version of this promotional tape, prepared by Chedd-Angier at Rothkopf's direction, was shown to representatives of the American Broadcasting Company (ABC) on February 27, 1981. The finished promotional tape was shown to ABC at a March 5, 1981 meeting, following which ABC agreed to purchase the show. On March 13, 1981, Guccione, Keeton, Chedd, Angier, Rothkopf, and William Marlieb of TMA, met to discuss the promotional tape. The discussion centered on the use of reporters for the show, to which the defendant was opposed.

On April 4, 1981, Guccione, Keeton, Chedd and Angier met to discuss production of the series. Guccione informed Chedd-Angier of his decision not to employ the on-location reporter format. Omni claims that Chedd-Angier responded that if the on-location reporter format were not employed, it would not produce the series. Chedd-Angier claims, however, that it made no ultimatum. The meeting ended with the agreement to meet the following weekend to discuss further the parties' differences.

Thereafter, Rothkopf telephoned Chedd-Angier to inform it that the weekend meeting would be postponed. The parties did not, however, have any further meetings. Rothkopf telephoned Chedd-Angier on April 22, 1981, informing it that Guccione and Keeton decided to form an in-house production company to produce the series.

*2 The entire course of conduct between the parties was marked by numerous meetings and communications. At trial, both defendant Omni and plaintiff Chedd-Angier introduced into evidence numerous exhibits in support of their respective positions. In substance, Chedd-Angier claims that Rothkopf, acting as Omni's agent, entered into an agreement with Chedd-Angier on March 5, 1981, for the production of the *Omni* series. Chedd-Angier claims that the entire course of dealing between the parties evidenced their

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intent to jointly produce the Omni series, and that Omni made oral expressions of agreement on terms for the production of the series on a number of occasions subsequent to March 5, 1981. Until notified of their termination, Chedd-Angier had been continually at work on the series. Omni claims, however, that the December 8, 1980 agreement, by its terms, controlled the rights and obligations of the parties to the end of their relationship and that, as a matter of law, there are no facts to support the allegation of a superseding oral contract for the series. Omni claims that the plaintiff's work for the series was performed at the assumed risk that it would not be asked to produce the series.

Chedd-Angier brought this action on May 8, 1981, alleging breach of written, oral, and implied-in-fact contracts, as well as counts alleging promissory estoppel, misrepresentation, breach of the duty of good faith and fair dealing, and violation of Massachusetts General Laws, c. 93A. Chedd-Angier's claim for damages consisted essentially of the producer's fee for production of the series and the producer's fee for the production of the promotional tape, as well as certain unreimbursed production costs. Under c. 93A, Chedd-Angier sought multiple damages.

On December 15, 1981, Omni filed its answer and a counterclaim demanding equitable relief in the form of an accounting of the \$212,000 advanced by Omni under the letter agreement. By motion dated August 25, 1983, Omni amended its counterclaim to allege that Chedd-Angier's use of the \$212,000 was in breach of the letter agreement. On June 14, 1983, Omni moved for summary judgment, which was denied by this Court by order dated August 8, 1983.

Trial began October 4, 1983 and the evidence concluded on October 14, 1983. The defendant's motion for directed verdict, made at the close of the plaintiff's case, was denied by the Court. On October 17, 1983, the jury returned its verdict in favor of the plaintiff and awarded damages of \$223,175. With regard to the non-jury claims, the Court found for the plaintiff on the accounting counterclaim. The defendant subsequently filed the present motion for judgment notwithstanding the verdict or new trial. I address each part of that motion below.

I. Judgment Notwithstanding the Verdict

Judgment notwithstanding the verdict under [Rule](#)

[50\(b\)](#) can be granted only when, without weighing the credibility of the evidence, there can be but one reasonable conclusion as to the proper judgment. [Powell v. Lititz Mutual Ins. Co.](#), 419 F.2d 62 (5th Cir.1969). Restated, a judgment notwithstanding the verdict is justified only if the evidence is so overwhelmingly preponderant in the favor of the movant as to admit of no other reasonable conclusion. [Derr v. Safeway Stores, Inc.](#), 404 F.2d 634 (10th Cir.1968). In considering the motion, the court must view the evidence in the light most favorable to the party who secured the jury verdict. [Fireman's Fund Ins. Co. v. Videfreeze Corp.](#), 540 F.2d 1171, 1178 (3d Cir.1976). The plaintiff is to receive all reasonable inferences from the evidence. [Dumas v. MacLean](#), 404 F.2d 1062, 1064 (1st Cir.1968). If fairminded men would disagree about the outcome, the matter must go to the jury. [404 F.2d at 1064](#). Where there is conflicting evidence, or there is insufficient evidence to make a "one-way" verdict proper, judgment notwithstanding the verdict should not be awarded. [Powell v. Lititz Mutual Ins. Co.](#), 419 F.2d at 64.

*3 The defendant suggests that, in applying the reasonable man standard, the court should think in terms of the confused juror rather than the unreasonable juror. Omni emphasizes that the trial lasted two weeks and involved an eight count complaint. The standard for judgment notwithstanding the verdict, however, does not vary with the length or complexity of the trial. The complexity of a trial does not justify usurping the jury's historic function in deciding a case. [Momand v. Universal Film Exchange, Inc.](#), 72 F.Supp. 469, 484 (D.Mass.1947), *aff'd*, 172 F.2d 37 (1st Cir.1948), *cert.denied*, 336 U.S. 967, 69 S.Ct. 939, 93 L.Ed. 1118 (1949). Furthermore, only six counts were presented to the jury, and the jury took notes throughout the trial. The jury did not request further instructions or seek clarification during its deliberations. And, the jury was individually polled after its verdict was announced.

Most importantly, the party attempting to set aside a jury verdict has a heavy burden. [Urigo v. Parnell Oil Co.](#), 552 F.Supp. 499, 500 (D.Mass.1982), *aff'd*, 708 F.2d 852 (1st Cir.1983). Because the grant of the motion deprives the party of a decision by the jury, judgments notwithstanding the verdict should be granted "cautiously and sparingly." [Wright & Miller, Federal Practice and Procedure, Civil § 2524, at 542 \(1971\)](#).

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Applying the above enunciated standard, I find that reasonable, fairminded men would have disagreed about the outcome, and, therefore, the matter properly went to the jury. The parties presented sufficient conflicting evidence to allow the jury to determine whether the defendant breached written, oral and/or implied contracts, as well as the promissory estoppel, misrepresentation and breach of the duty of good faith and fair dealing counts. This is not a case where there is but one reasonable conclusion as to the proper judgment. Furthermore, a dispute over the amount of unreimbursed costs does not entitle the defendants to a directed verdict.

Accordingly, the defendant's motion for judgment notwithstanding the verdict must be denied.

II. *New Trial*

A new trial should be granted only where the court is convinced that the jury verdict was a “seriously erroneous result.” [Coffran v. Hitchcock Clinic, Inc.](#), 683 F.2d 5, 6 (1st Cir.1982), cert.denied,459 U.S. 1087, 103 S.Ct. 571, 74 L.Ed.2d 933 (1982). New trials are appropriate only where denial of the motion will result in a “clear miscarriage of justice.” *Id.* The motion for new trial is addressed to the court's discretion. [English v. Mattson](#), 214 F.2d 406 (5th Cir.1954). New trials may be granted where the court determines that: the verdict is against the weight of the evidence; material issues were improperly submitted to or withdrawn from the jury; substantial errors were made in the admission or rejection of evidence or instructions to the jury; the jury acted with passion or prejudice or engaged in other misconduct; or the trial was otherwise unfair to the movant. 6A Moore's Federal Practice ¶ 59.08. A party is not entitled to a new trial merely because the evidence introduced at trial would have supported an opposite verdict. [Peterman v. Indian Motorcycle Co.](#), 216 F.2d 289, 292-93 (1st Cir.1954); [Dumas v. MacLean](#),*supra*. Nor should the judge set aside the verdict merely because he would have reached a contrary result. [Peterman](#),*supra*, at 292-93.

*4 Although six counts were presented to the jury, I repeat that the basic question presented to the jury was whether the parties had agreed that the plaintiff would produce the Omni series. Chedd-Angier argued that it had an oral contract to produce the series or, in the alternative, such an agreement should be implied since

it reasonably relied on the defendant's representations that it was to produce the series. The plaintiff primarily sought the “producer's fee” of \$275,000 that represents the profit it would have received had it been able to produce the series. The plaintiff's other monetary claims were for sums not even approaching this amount. Although it is not proper or necessary to inquire into the jury's method of computing damages, the jury's award of \$223,175 clearly reflected damages based on the profits the plaintiff would have received by producing the series and recovering the producer's fee.

A. *Verdict Against the Weight of Evidence*

In determining whether the verdict was supported by legally sufficient evidence or was against the weight of the evidence, the trial judge should: view the verdict in the overall setting of the trial; consider the character of the legal principles which the jury was bound to apply to the facts; and abstain from interfering with the verdict unless it is quite clear that the jury has reached a seriously erroneous result. 6A Moore's Federal Practice ¶ 59.08. If the trial judge is convinced that there is no miscarriage of justice, he should not set the verdict aside. [Magee v. General Motors Corp.](#), 213 F.2d 899 (3d Cir.1954).

Sufficient evidence was presented at trial, by both the plaintiff and defendant, to warrant the jury verdict for the plaintiff and the damages awarded. In view of the relatively simple issue that was at the core of the plaintiff's case, that the parties had actually or impliedly agreed that the plaintiff would produce the series, the evidence would amply support the award of damages based on the production of the series under several of the plaintiff's theories.^{FN1}

^{FN1}. Although the plaintiff did not seek damages based on the series under its Count I written contract claim, I believe that the letter agreement of December 8, 1980 could just as easily have encompassed production of the series. The letter agreement expressly provided only for production of the one-hour pilot program and its budget. The letter agreement also contemplated the possible need for promotional materials and expressed the parties' intent to continue forward with the series, on terms that would be agreed upon, if the pilot was a success. When it be-

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came clear that time pressures were such that the pilot would not be completed in time to sell the series, Guccione and Rothkopf directed the parties to produce promotional tapes, in rough and final form. The pilot program was never completed because the promotional tapes filled the function that the pilot was intended to perform—successfully selling the program. Both parties agreed that the production of the promotional tapes was encompassed in the letter agreement.

It would not be against the weight of the evidence to find that Rothkopf and Guccione modified the letter agreement by directing the plaintiff to produce a promotional tape instead of a pilot program, and that Rothkopf similarly modified the agreement on March 5, 1981 by directing the plaintiffs to begin production of the series instead of working further on the pilot. The promotional tapes supplanted the function to be served by the pilot program. The letter agreement had provided that: “If the pilot is completed and successful and seems to be the basis for a commercially viable series, *then you and we intend to continue forward to make the series, on terms that will be agreed to at that time.*” Ex. # 3 (emphasis added). When Rothkopf called the plaintiff to notify it that the series had been sold and that “it’s a go on the series,” the jury could have found that the parties were simply continuing forward to produce the series as agreed in the letter agreement. The jury could have found that several essential terms were already “agreed to at that time,” and that the parties were engaged in discussions regarding the remaining details. See Ex. # 15.

Further, the jury could have found that provisions regarding either party’s right to terminate and limit Chedd-Angier’s recovery to “costs incurred” applied only to the pilot program and promotional tapes, but did not apply to the further modification of the agreement providing for production of the series. The jury properly could have concluded that, by the time the

parties had successfully sold the program and begun work on the series, the terms on which the parties continued forward to produce the series did not include a right of either party to unilaterally refuse to continue production.

In support of its Count II claim that the parties had an oral contract providing that Chedd-Angier would produce the series, the plaintiff presented evidence that: the parties had an oral contract; all essential elements of the contract were agreed upon; and Omni never exercised its claimed creative control over the use of the reporter format but, instead, terminated Chedd-Angier in breach of the oral contract.

Chedd-Angier presented evidence of Rothkopf’s apparent authority to bind Omni to an oral contract for the series. The evidence presented by Omni, as well as Chedd-Angier, showed a six month course of dealing between the parties in which Rothkopf played an integral role, with the knowledge and at the direction of Omni, as the primary contact on behalf of Omni with Chedd-Angier. Rothkopf attended every meeting of significance between the parties except one, and took part in decisions involving creative matters, budgets, contracts, syndication of the series, as well as the development of the series advertising. Rothkopf was involved in directing the plaintiff to produce a promotional tape instead of the pilot, he told the plaintiff to put together a preliminary version of the promotional tape for immediate viewing by ABC’s Phillip Boyer, and he informed the plaintiff that he “shook hands” with Boyer on March 5, 1981 over ABC’s purchase of the series. Rothkopf informed the plaintiff that the final planned weekend meeting would be postponed, and Rothkopf, not Keeton or Guccione, telephoned Chedd-Angier on April 22, 1981 to notify it of the termination.

*5 Contrary to the defendant’s assertions, there was ample evidence that Rothkopf was more than a mere employee of TMA. The actions of Keeton and Guccione cloaked Rothkopf with apparent authority to act on behalf of Omni with regard to production of the series. Guccione testified that Rothkopf was his “assistant” with regard to the series. The four color promotional brochure explicitly approved by Guccione listed Rothkopf as the Coordinating Producer for the series. Ex. 9. Rothkopf testified that he acted as coordinating producer from the outset of his in-

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volvement with the series, although he did not formally take the title until late January or February of 1981. Neither Keeton nor Guccione ever disavowed Rothkopf's actions during the course of the relationship, although they were clearly aware of his actions.

Sufficient evidence was presented, therefore, to support a finding that Rothkopf had apparent authority to bind Omni to a series contract, and that he in fact did so when he made the March 5, 1981 phone call informing the plaintiff that he had just shook hands with Boyer and that "the series is a go." Given Rothkopf's actions throughout the relationship of the parties, this Court cannot find such a conclusion to be against the weight of the evidence. Keeton's alleged authorization for the hiring of two reporters at the March 13, 1981 meeting also would confirm that Omni had agreed to use Chedd-Angier as the producer of the series.

The evidence also supports a finding that the parties had agreed to the essential terms of a series contract. From the outset, the parties had not disputed that the series would consist of 18 half-hour episodes of a program concerning science, technology, medicine and related issues, for a budget of approximately \$100,000 to \$120,000 per episode, to be aired in the fall of 1981. The jury could find that Rothkopf's telephone call of March 5, 1981 confirmed these understandings that underscored the parties' dealings through the winter as the terms of the oral contract for the series. The budget terms may also have been made exact on April 2, 1981 when Rothkopf allegedly accepted the budget submitted by the plaintiff. Rothkopf's April 10, 1981 memorandum also could tend to confirm that Omni had agreed that Chedd-Angier was to produce the series since, after noting that Guccione, Keeton and Rothkopf had decided not to continue using Chedd-Angier as the producer, that memorandum discussed how to make this "change." A reasonable inference thereof is that there was in fact an agreement to be changed.

Having found that the parties agreed that Chedd-Angier would produce the series, sufficient evidence was presented whereby the jury could find that the defendant breached the agreement and did not, as it contends, terminate the relationship over a valid exercise of its creative control. All parties testified that one or both of the principals of Chedd-Angier were upset at the April 4, 1981 meeting at the possible abandonment of the use of reporters, which was the

format contemplated in the letter agreement and in all of the work Chedd-Angier had performed to date. The jury could find, however, that the plaintiff never issued an ultimatum that it would not produce the series if the reporter format was discarded. All parties testified that at the close of the April 4, 1981 meeting they agreed to meet the following weekend for further discussions. A further meeting would be inconsistent with a finding that Chedd-Angier issued an ultimatum and, further, it appeared to be against the plaintiff's interests to issue ultimatums that risked loss of the contract.

*6 Although Rothkopf told the plaintiff that the planned weekend meeting was merely "postponed" to allow Guccione time to think, his April 10, 1981 memorandum clearly indicates Omni's intention to sever its relationship with Chedd-Angier without further meeting. Rothkopf ultimately telephoned the plaintiff to inform them that their services were terminated. The jury could be warranted in finding, therefore, that the relationship did not end over a valid exercise of Omni's creative control, but ended when Omni made unilateral decisions to produce the series in-house, terminate the agreement, refuse to meet further with the plaintiff to resolve differences, and frustrate the agreement to produce the series. The jury could properly award damages based on the producer's fee for the series.

B. *Improper Submission of Other Counts*

Defendant Omni sets forth the applicable standard for granting a new trial, in a multiple-count case with a general verdict, in a misleading fashion. In its memorandum in support of its motions, Omni claims: "To entitle it to a new trial, however, the defendant need only show that the evidence is insufficient to support the verdict and damage award under any *one* of the plaintiff's claims ." Defendant's Memorandum at 7 (original emphasis). This is not the standard. Rather, the proper inquiry is whether *submission* of each count to the jury was proper: "The general rule is that when one of the two claims that have been submitted to the jury should not have been submitted, a general verdict ... cannot stand." [Morrissey v. National Maritime Union](#), 544 F.2d 19, 26-27 (2d Cir.1976). Stated elsewhere: "Where ... a general verdict may rest on either of two claims-one supported by the evidence and the other not-a judgment thereon must be reversed." [Albergo v. Reading Co.](#), 372 F.2d 83, 85-86

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(3d Cir.1966). Similarly, the First Circuit dictum relied upon by Omni states only that if alternative theories of liability are presented to the jury under a general verdict, the court must determine whether there was sufficient evidence to support *submission* of each count. Clark v. Taylor, 710 F.2d 4, 8 n. 2 (1st Cir.1983).

Omni has failed to demonstrate that any of the other counts were improperly submitted to the jury. Sufficient evidence was presented to submit to the jury Count III, charging the defendant with breach of the duty of good faith and fair dealing.^{FN2} The April 10, 1981 Rothkopf memorandum discussing termination of Chedd-Angier, and Rothkopf's telephone call "postponing" the weekend when Omni never intended to meet further, evidence a breach of the duty of good faith and fair dealing. The Court's finding on the c. 93A count was irrelevant to the question of whether sufficient evidence was presented to permit submission of Count III to the jury.

^{FN2}. The duty of good faith and fair dealing is implied in all contracts. If the jury found the agreement to produce the series encompassed within the letter agreement, therefore, they could also have reached the Count III claim. Sufficient evidence was presented to warrant submission of Count III to the jury, and the jury properly could have awarded damages thereunder. Even if the jury found that the provisions in the letter agreement limiting Chedd-Angier's recovery to "costs incurred" applied to production of the series, it could have awarded the producer's fee as damages based on breach of the duty of good faith and fair dealing.

Count VII, alleging misrepresentation, was also properly submitted to the jury. Omni's continuing representations to Chedd-Angier and others (through advertisements, press releases and a publicity brochure) that Chedd-Angier would produce the series and that the series would use a reporter format, are evidence that Omni intentionally or negligently misled Chedd-Angier. The evidence shows Chedd-Angier relied on such representations by continuing to work on the series.

*7 Omni claims that Count IV, contract implied-in-fact, Count V, promissory estoppel, and

Count VIII, quantum meruit, all reduce to a claim for \$18,000 of unreimbursed costs.^{FN3} Omni claims that the plaintiff failed to prove these damages with a reasonable degree of certainty and disputes this amount. Omni, therefore, argues that these counts should be rejected. The mere fact that Omni challenged some of the plaintiff's evidence of unreimbursed costs, however, does not entitle the defendant to a new trial. Rather, it was the jury's function to view the evidence presented to determine what amounts, if any, were owing to the plaintiff. A dispute over the amount does not render submission of these counts to the jury improper where sufficient evidence was presented to warrant submission.

^{FN3}. I do not believe this characterization of the appropriate damages to be proper, but shall address Omni's assertions nevertheless. See Part C for discussion of appropriate damages.

C. Error in Jury Instructions

A party moving for a new trial must make an objection to the court's instructions before the jury retires to consider its verdict, and must state distinctly the matter to which he objects and the grounds of his objection. Spring Co. v. Edgar, 99 U.S. 645, 25 L.Ed. 487 (1978), see Palmer v. Hoffman, 318 U.S. 109, 63 S.Ct. 477, 87 L.Ed. 645 (1943). Before the jury retired, counsel for defendant Omni objected to the Court's jury instructions for Count III, good faith and fair dealing, and Count V, promissory estoppel, contending that damages under both should not include contract damages but only benefits accrued but not yet owing.^{FN4}

^{FN4}. Omni also objected to a portion of the Court's damage instruction under Count I, written contract. The Court, however, restated the instruction to the jury according to counsel's suggestions.

With regard to the duty of good faith and fair dealing, this Court instructed: "The damages here, again, are what the contract would have brought had they not dealt unfairly and without good faith." Jury Charge at 24. I believe this to be a correct statement of the law. The Supreme Judicial Court has held that "in every contract there is an implied covenant that neither party shall do anything which will have the effect of de-

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stroying or injuring the right of the other party to receive the fruits of the contract....” *Fortune v. National Cash Register Co.*, 373 Mass. 96, 104, 364 N.E.2d 1251, citations omitted. If the jury found that the defendants breached the duty of good faith and fair dealing, damages should reflect the “fruits of the contract” which were destroyed or injured by the defendant’s breach. Thus, this Court’s jury instruction on damages was proper.

With regard to the promissory estoppel claim, this Court instructed the jury that proper damages would be “the profit that would have been received had the contract gone through.” Jury Charge at 29. I believe this to be a correct statement of the law, as well. Comment d to Section 90 of the Restatement of Contracts 2d states in part: “A promise binding under this section is a contract, and full-scale enforcement by normal remedies is often appropriate.” The Comment qualifies this statement by noting that “relief may sometimes be limited to restitution or to damages or specific relief measured by the extent of the promisee’s reliance rather than by the terms of the promise.” This qualification, however, is directed to sections of the Restatement not applicable to the dispute between Chedd-Angier and Omni. See *Restatement of Contracts 2d, §§ 84* (Promise to Perform a Duty in Spite of Non-occurrence of a Condition), 89 (Modification of an Executory Contract); *Restatement of Torts 2d, § 549* (Measure of Damages for Fraudulent Misrepresentation). Full-scale enforcement by normal remedies clearly includes damages to put the promisee in the position performance of the promise would have put him. Thus, this Court’s jury instruction on damages was proper.

*8 This Court notes that, where it is non-prejudicial, the giving of an erroneous instruction or the failure to give a proper requested instruction is not a ground for a new trial. See *Montgomery Ward & Co. v. Duncan*, 311 U.S. 243, 61 S.Ct. 189, 85 L.Ed. 147 (1940); *David v. Patrick*, 112 U.S. 138 (1887). New trials shall not be granted where error is harmless. 6A Moore’s Federal Practice ¶¶ 59.04[8], 59.05[2]. Although the damage instructions given by the Court on these two counts may not have been as complete or exact as perhaps they might have been, any failings constitute no more than harmless error. As stated above, the basic question before the jury was whether the parties had agreed that the plaintiff would produce the Omni series.^{FN5} All other claims were relatively

insignificant, and it is unlikely that the result was substantially affected by a failure to give as complete and exact instructions as might have been possible.

^{FN5}. I considered presenting the case to the jury on a special verdict form. However, after consultation with counsel, and further reflection on the overlapping nature of the pleadings, I concluded that the special verdict form was too complicated and would only have confused and confounded the jury. The basic issue, I repeat, was straightforward and could be focused upon easily by the jury.

D. Extraneous, Prejudicial Information

Although *Rule 606(b) of the Federal Rules of Evidence* prohibits a juror from testifying “as to any matter or statement occurring during the course of the jury’s deliberations or to the effect of anything upon his or any other juror’s mind or emotions as influencing him to assent or dissent from the verdict ... or concerning his mental processes in connection therewith ...,” Omni argues that testimony as to the jury’s knowledge of Guccione’s connection with *Penthouse* and *Forum* magazines falls within the exception to this general rule that allows a juror to “testify on the question whether extraneous prejudicial information was improperly brought to the jury’s attention or whether any outside influence was improperly brought to bear upon a juror.”

The jury’s knowledge of Guccione’s publications is not the kind of extraneous prejudicial information that warrants disturbing the verdict. New trials may be warranted where a third party makes communications that are calculated to influence the verdict. *Mattox v. U.S.*, 146 U.S. 140, 13 S.Ct. 50, 36 L.Ed. 917 (1892). Information pertaining to Guccione’s publications, while irrelevant and extraneous, did not specifically pertain to the liability issue before the jury, as is usual in cases where a new trial is warranted. Compare *United States ex rel. Owen v. McMann*, 435 F.2d 813, 815 (2d Cir.1970), cert.denied, 402 U.S. 906, 91 S.Ct. 1373, 28 L.Ed.2d 646 (1974) (new trial ordered because three jurors informed others that criminal defendant convicted on robbery, assault and grand larceny had been in trouble all his life, and his father was always getting him out of trouble, that he had been suspended from the police force for unauthorized use of a car and had been involved in a fight in a tav-

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ern); [Thomas v. Peerless Mattress Co.](#), 284 F.2d 721 (4th Cir.1960) (deputy marshal's statement to jury foreman that "if the facts warranted it any party could appeal from verdict returned by jury" could have affected jury's consideration of case); [Stiles v. Lawrie](#), 211 F.2d 188 (6th Cir.1954) (error to refuse new trial when juror brought into jury room a manual, not in evidence, purporting to show the length of skid marks made by automobiles traveling at various speeds); [United States v. Blair](#), 444 F.Supp. 1273, 1275 (D.D.C.1978) (new trial ordered for criminal defendant convicted of drug distribution where juror stated that he knew the co-defendant, had gone to high school with him, and knew he was hooked on drugs).

*9 I note with approval the Third Circuit's statement that: "Nor, indeed, is a verdict invalid merely because the jurors' generalized knowledge about the parties, or some other aspect of the case, is an ingredient of the decision. Though 'the specific guarantees of an impartial jury and of confrontation,' as well as 'the more general one of due process,' proscribe consideration of specific extra-record facts about the case on trial, it is not necessary that the jurors be 'totally ignorant about a' case. *United States ex rel. Owen v. McMann*, *supra*." *Government of Virgin Islands v. Gereau*, 523 F.2d 141 (3d Cir.1975). See [United States v. Homer](#), 411 F.Supp. 972, 977 (W.D.Pa.1976), *affirmed*, 545 F.2d 864 (3d Cir.1976), *cert.denied*, 431 U.S. 954, 97 S.Ct. 2673, 53 L.Ed.2d 270 (1977). The rule against a juror's doing his own investigation or inspection does not preclude the juror from drawing on his own general experience and knowledge. See [Casey v. U.S.](#), 20 F.2d 752 (9th Cir.1927), *affirmed on other grounds*, 276 U.S. 413, 48 S.Ct. 373, 72 L.Ed. 632 (1928). I find that the juror's alleged knowledge of Guccione's associations is generalized knowledge about a principal of one of the parties, not an extra-record fact pertaining to the case on trial.^{FN6} In the context of this trial, I cannot conclude that such knowledge was "clearly prejudicial" so as to warrant a new trial. [Port Terminal & Warehousing Co. v. John S. James Co.](#), 92 F.R.D. 100 (S.D.Ga.1981). The issue squarely presented to the jury was a contract dispute. The trial on the contract dispute spanned two weeks, multiple witnesses and a myriad of exhibits. Guccione's connection with *Penthouse* and *Forum* magazines was never mentioned and Guccione's testimony was narrowly focused on the contract dispute. Even if these facts were communicated to the jury with intent to influence the verdict, this Court has discretion to deny a new trial where no prejudice appears to have

resulted. See *Hercules Power Co. v. Costa*, 289 F.2d 471 (1st Cir.1961). I have no reason to believe that this information prejudiced the jury's decision in any way.^{FN7}

^{FN6}. I note that Guccione is a well-known public figure who regularly seeks publicity in and out of the pages of his magazines (including *Penthouse*, *Forum* and *Omni* magazines).

^{FN7}. The affidavits of both counsel for the defendant and counsel for the plaintiff indicate that, rather than being prejudiced against Guccione based on his association with *Penthouse* and *Forum* magazines, the jury properly considered such information to be irrelevant to their decision. Undoubtedly, if any juror volunteered that such information prejudiced their decision, the affidavits would have reflected this.

Conclusion

For the reasons set forth in Section I, defendant's motion for judgment notwithstanding the verdict is hereby DENIED. For the reasons set forth in Section II, defendant's motion for new trial is also DENIED.

SO ORDERED.

D.Mass., 1984.

The Chedd-Angier Production Co. v. Omni Publications Intern., Inc.

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HOnly the Westlaw citation is currently available.

United States District Court,
E.D. Michigan, Southern Division.
Michael A. CHIRCO and Dominic Mocerri, Plaintiffs,
v.
GATEWAY OAKS, LLC; Arrow Building Co., Inc.;
The Design Group LLC; N & D Developers, LLC;
M.C.S. Associates, Inc.; Salvatore Sarafino; Joseph P.
D'Angelo; M.C.S. Associates, Inc.; Jim Jones; and
Calvin Hall, individually and d/b/a Calvin Hall and
Associates, Defendants.
No. 02-CV-73188.

Aug. 26, 2005.

[Stephen Wasinger](#), Wasinger, Kickham, Royal Oak, MI, [Julie A. Greenberg](#), Gifford, Krass, Birmingham, MI, [Douglas W. Sprinkle](#), for Plaintiffs.

[Douglas P. Lalone](#), Warn, Burgess, Auburn Hills, MI, [Joseph G. Burgess](#), [Bernard J. Cantor](#), Harness, Dickey, Troy, MI, [John W. Griffin, Jr.](#), Williams, Williams, Birmingham, MI, for Defendants.

OPINION AND ORDER GRANTING DEFENDANTS' MOTIONS FOR SUMMARY JUDGMENT ON PLAINTIFFS' CLAIMS

[BORMAN](#), J.

*1 Now before the Court are Defendants' motions for summary judgment on Plaintiffs' claims. The Court heard oral argument on July 6, 2005. Having considered the entire record, and for the reasons that follow, the Court GRANTS the instant motions.

I. FACTS

On August 2, 2002, Michael A. Chirco and Dominic Mocerri (collectively "Plaintiffs") filed the instant action against Gateway Oaks, L.L.C. ("Gateway"), Arrow Building Co., Inc. ("Arrow"), The Design Group, L.L.C. ("Design"), N & D Developers, L.L.C. ("N & D"), Joseph D'Angelo ("D'Angelo"), Salvatore Sarafano ("Sarafano"), M.C.S. Associates, Inc. ("M.C.S."), Jim Jones ("Jones"), and Calvin Hall

individually and d/b/a Calvin Hall and Associates ("Hall") (collectively "Defendants"), alleging copyright infringement pursuant to [17 U.S.C. § 101](#) *et seq.* Plaintiffs are in the business of developing, leasing and selling real estate, including condominiums, apartments and single family homes, in the Detroit metropolitan area, specifically in Oakland and Macomb County. (Compl. at ¶¶ 15-16.)

Plaintiffs have previously worked with a third party architect, Ronald E. Mayotte & Associates ("Mayotte"), to create technical architectural plans, and Plaintiffs have constructed apartments/condominiums in accordance with these plans. (*Id.* at ¶¶ 17-18.) Specifically, Mayotte and Plaintiffs originally collaborated to create architectural plans for an apartment complex commonly known as the Manors at Knollwood ("Knollwood") in Macomb County, Michigan. (*Id.* at ¶ 19.) In 1997, Mayotte obtained copyright registrations for both the Knollwood architectural plans ("Knollwood plans"), U.S. Copyright Registration No. VAu 356-238, and the Knollwood architectural buildings ("Knollwood buildings"), U.S. Copyright Registration No. VAu 356-237). ^{FN1} (*Id.* Ex. A.)

^{FN1}. In an earlier case involving different defendants, Plaintiffs conceded that the Knollwood buildings' copyright registration was invalid because construction of the Knollwood buildings began in late 1988, before the enactment of the Architectural Works Copyright Protection Act, [Pub.L. No. 101-650](#), Sec. 701, 104 Stat. 5089, which only applies to architectural works that were created on or after December, 1, 1990, its date of enactment. *See Chirco v. Hampton Ridge, L.L.C.*, No. 01-72015 (E.D. Mich. Aug. 31, 2001) (Roberts, J.); 1 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT § 2.20 (2003) (footnotes omitted).

Plaintiffs and Mayotte subsequently collaborated to develop architectural plans for a condominium project that is commonly known as Aberdeen Village ("Aberdeen"), located in Sterling Heights, Michigan. (*Id.* at ¶¶ 16, 18.) Mayotte obtained copyright registrations for both the Aberdeen architectural plans ("Aberdeen

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plans”), U.S. Copyright Registration No. VAu 356-236, and the Aberdeen architectural buildings (“Aberdeen buildings”), U.S. Copyright Registration No. VAu 356-235. (*Id.* Ex. A.) Plaintiffs allege that copyright law protects the Aberdeen plans and buildings as derivatives of the copyrighted Knollwood plans.^{FN2} (Compl. at ¶ 18-19.)

FN2. Supplemental Registrations that were filed in October of 2001 to remedy technical defects in the initial registrations identified the Aberdeen copyrights as derivatives of the Knollwood plans. (Compl. Ex. A., U.S. Copyright Registrations No. VAu 535-027 and VAu 535-028); *Chirco v. Hampton Ridge, L.L.C.*, No. 01-72015, at 15 (E.D.Mich. Sept. 24, 2002) (Order Adopting in Part and Denying in Part the Report and Recommendation of the Magistrate Judge).

According to the affidavit of Charles F. Merz (“Merz”), Plaintiffs’ expert, the Knollwood plans and the derivative Aberdeen plans and buildings contain several components that, when combined in the manner set forth in the plans and buildings, create an original arrangement of space:

8. The Aberdeen plans describe a unique twelve unit residential building. There are four units on the first floor as well as two rows of six single car garages on the first floor one at each end of the building. There are eight units on the second floor, of which 4 are over the garages. Each of the four second floor units which are constructed over a garage are placed on three garages, which allows the building to be built as four distinct quadrangles with fire rated walls separating each quadrangle. Pursuant to the unique plan, each of the twelve garages has direct access to its assigned residential unit without requiring the occupants to go outside or use a common hallway to access their units.

*2 9. One of the unique aspects of the Aberdeen condominiums is the way that it can occupy a site. Because the garages are on the side of the building and because the garages of adjoining buildings face each other, the driveway orientation is quite compact, which allows the buildings to be spaced just sixty four feet from each other. This allows relatively high density of the units, and an efficiency of infrastructure design and implementation, thus al-

lowing significant cost savings for this work.

10. Another unique aspect of the Aberdeen condominiums is their architectural features, including the way that both the front and back of the building are architecturally identical, allowing both to have an attractive visual appeal without the presence of garages or other elements typical of the back side of multi-family buildings.

(Merz Aff. at ¶¶ 8-10.) Along with the Knollwood plans and the Aberdeen plans and buildings, the Knollwood buildings also embody this arrangement of space, which is referred to as the “Knollwood building design.” (Merz Dep. at 51, 72; Gateway Br. at 4.)

In July of 1997, Mayotte granted Plaintiffs an exclusive license for the “use” of the Knollwood and Aberdeen plans. The license agreement stated, however, that “no revisions to the ... [p]lans or derivative works shall be made by any person other than Mayotte. If the ... [p]lans require any modifications from time to time, then upon request by [Plaintiffs], Mayotte shall execute the modifications and shall be compensated on a time and materials basis at Mayotte standard rates....” (Mocerri Aff. Ex. A.) In September of 2001, the parties to the original license agreement entered into a confirmatory addendum. (*Id.* Ex. B; August 6, 2003 Prelim. Inj. Hearing Tr. at 12.) The agreement stated:

1. The exclusive rights granted to [Plaintiffs] include the exclusive right to reproduce the ... [p]lans, to distribute copies of the ... [p]lans, to make derivative works based on the ... [p]lans, provided such derivative works are created as set forth in Paragraph 3 of the Agreement, and to use the ... [p]lans as the basis for any building.
2. [Plaintiffs] have the right to sue to enforce any of their exclusive rights under the Agreement.

(*Id.*)

Plaintiffs have developed numerous condominium projects based upon the Knollwood and Aberdeen plans. These include, for example, Aberdeen Gardens in Sterling Heights, Michigan; Glenmoor Village in Macomb Township, Michigan; Warwick Village in Macomb Township, Michigan; Aberdeen Pines in

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Sterling Heights, Michigan; Stratford Village in Sterling Heights, Michigan; and Oakmonte in Oakland Township, Michigan.

At issue in this case is a condominium project commonly known as Gateway Oaks that Defendants developed. (Compl. at ¶ 22.) The Plaintiffs' Aberdeen Pines condominium project in Sterling Heights, Michigan,^{FN3} is adjacent to and surrounds Gateway Oaks. (*Id.*) Based upon their review of the Gateway Oaks plans filed with the Sterling Heights Building Department, Plaintiffs allege that the Gateway Oaks plans “are substantially similar to, and copy, the Aberdeen [p]lans and ... [w]orks.” (*Id.* at ¶¶ 24-25.) Plaintiffs, therefore, filed the instant action against Defendants for infringement of Plaintiffs' copyrighted Knollwood plans, Aberdeen plans, and Aberdeen buildings (collectively “copyrighted materials”). (*Id.* at ¶¶ 20, 32-33, 36.)

^{FN3}. Plaintiffs' complaint does not allege infringement of this copyright; rather, the complaint only pleads infringement of the Knollwood plans, the Aberdeen plans, and the Aberdeen buildings. Mocerri confirmed this during his deposition. (Def.'s Prelim. Inj. Resp. Br. Ex. 17, Mocerri Dep. at 8, 107-08.)

*3 Count I of Plaintiffs' complaint sets forth a claim of copyright infringement against Gateway, Arrow, Design, and N & D. Count II sets forth a claim of copyright infringement, pursuant to principles of vicarious liability, against D'Angelo and Sarafano. Count III sets forth a claim of copyright infringement, under principles of contributory liability, against MCS, Jones, and Hall.

On August 27, 2002, Defendants Gateway, Arrow, N & D, D'Angelo, and Sarafano filed a Counterclaim against Plaintiffs, seeking a declaratory judgment, pursuant to [28 U.S.C. § 2201](#), *et seq.*, declaring the parties' respective rights under copyright law. On September 11, 2002, Defendants M.C.S. and Jones filed a Counterclaim against Plaintiffs, also seeking a declaratory judgment, under [§ 2201](#), declaring the parties' respective rights under copyright law.

On November 22, 2002, Plaintiff filed a motion for a preliminary injunction. On August 28, 2003, the Court issued an opinion and order denying Plaintiffs' motion for a preliminary injunction. The Court reasoned, in

part, that a strong likelihood existed that either side could prevail on the ultimate issue of copyright infringement. (August 28, 2003, Opinion at 34.)

On March 11, 2005, Plaintiffs filed a Re-Filed Motion for Summary Judgment Dismissing Defendants' Affirmative Defense that Construction of the Knollwood Building Turned the Building Design Over to the Public Domain. On March 18, 2005, Defendants Design and Hall each filed a motion for summary judgment on Plaintiffs' claims against them. Also on March 18, 2005, Defendant Gateway, on behalf of itself and Defendants D'Angelo, Sarafano, Arrow, and N & D, filed a motion for summary judgment on Plaintiffs' claims against them.

On April 29, 2005, the Court granted Plaintiffs' re-filed motion as to all of the Defendants except for Design.^{FN4} Applying the law-of-the-case doctrine, the Court rejected the affirmative defense that the Knollwood building design, as embodied in the Knollwood plans, is in the public domain.

^{FN4}. Although Plaintiffs' renewed motion was directed at all of the Defendants, only Gateway filed a response. Design's instant summary-judgment motion raises the same issue of whether the Knollwood building design is in the public domain because that design, as embodied in the Knollwood buildings, is not protected under the AWCPA. In its opinion granting Plaintiffs' renewed motion, the Court noted that it would afford Design an opportunity to address this issue in its instant motion. (April 29, 2005, Opinion at 14 n. 7.)

While Gateway's instant summary-judgment motion again argues that the Knollwood building design is in the public domain because the AWCPA does not protect that design as embodied in the Knollwood buildings (Gateway Br. at iv, 4, 11-12; Reply at 2.), the Court's April 29, 2005, opinion rejected that argument such that the Court will not revisit it here. The Court, likewise, will disregard any of Gateway's arguments to the extent that they hinge upon that erroneous contention. (*See* Gateway Br. at ii, 14, 20; Johnson Report ¶ 90, Tab 25.)

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Now before the Court are Defendants' motions for summary judgment on Plaintiffs' claims.

II. ANALYSIS

Summary judgment is proper “if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue of material fact and that the moving party is entitled to a judgment as a matter of law.” [Fed.R.Civ.P. 56\(c\)](#). A “material” fact is one “that might affect the outcome of the suit under the governing law [.]” [Anderson v. Liberty Lobby, 477 U.S. 242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 \(1986\)](#). A “genuine” issue exists “if the evidence is such that a reasonable jury could return a verdict for the non-moving party.” *Id.* The Court must determine “whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that one party must prevail as a matter of law.” *Id.* at 251-52. In deciding a motion for summary judgment, the Court must draw all justifiable inferences from the evidence in the non-moving party's favor. [Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 587, 106 S.Ct. 1348, 89 L.Ed.2d 538 \(1986\)](#). However, the non-moving party “must do more than simply show that there is some metaphysical doubt as to the material facts.” *Id.* at 586.

*4 Under the law-of-the-case doctrine, a court generally may not revisit an issue that it decided, whether expressly or by necessary implication from its disposition, at an earlier stage of the proceedings; rather, once a court has decided an issue, the court should usually give effect to that decision throughout that litigation. [In re Kenneth Allen Knight Trust, 303 F.3d 671 \(6th Cir.2002\)](#). While the law-of-the-case doctrine is discretionary in that it does not limit the court's power to revisit a previously-decided issue, a court should exercise its power to reach a result that is inconsistent with a prior decision that it reached in the same case only sparingly and under extraordinary circumstances. *Id.* To do so, the court must find some cogent reason to show that the prior ruling is no longer applicable, such as if the prior opinion was clearly erroneous or would work a manifest injustice. *Id.* An intervening change in controlling law between the date of the first ruling and the date that it is revisited would constitute such a cogent reason. See [Amen v.](#)

[City of Dearborn, 718 F.2d 789 \(6th Cir.1983\)](#).

An architectural work is “the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings.” [17 U.S.C. § 101](#). Before the enactment of the Architectural Works Copyright Protection Act, [Pub.L. No. 101-650](#), Sec. 701, 104 Stat. 5089 (“the AWCPA”), which only applies to architectural works that were created on or after December 1, 1990, its date of enactment, physical buildings that were constructed based upon copyrighted architectural plans could not receive copyright protection. 1 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT § 2.20 (2003) (footnotes omitted). Copyright law, however, has long since afforded architectural plans, as distinct from buildings, protection as “pictorial, graphic, and sculptural works.” [17 U.S.C. § 102\(a\)\(5\)](#); see [Robert R. Jones, Assoc. v. Nino Homes, 858 F.2d 274, 278 \(6th Cir.1988\)](#).

The statutory copyright protection in architectural plans does not protect the building depicted in those plans because the law before January 1, 1978, did not recognize such protection. See [17 U.S.C. § 113\(b\)](#); [Robert R. Jones, Assoc., 858 F.2d at 278](#). As to the scope of copyright protection in architectural plans, the Sixth Circuit Court of Appeals has held that, although “one may construct a house which is identical to a house depicted in copyrighted architectural plans, ... one may not directly copy those plans and then use the infringing copy to construct the house.” [Robert R. Jones, Assoc., 858 F.2d at 280](#); see [Imperial Homes Corp. v. Lamont, 458 F.2d 895, 899 \(5th Cir.1972\)](#) (holding that infringement of a copyrighted architectural plan occurs upon the imitation or transcription of such plan “in whole or in part”). Moreover, “where someone makes infringing copies of another's copyrighted architectural plans,” the copyright owner may recover damages that “include the losses suffered as a result of the infringer's subsequent use of the infringing copies”-e.g. the construction of a building based upon those copies. [Robert R. Jones, Assoc., 858 F.2d at 280](#).

*5 In this case, the Knollwood buildings are a development of fifty separate buildings, nineteen of which were constructed before December 1, 1990. (Resp. at 3. n. 7; Mocerri Dep. at 15.) Consequently, Plaintiffs neither dispute that the Knollwood buildings are not entitled to copyright protection nor rely upon any such

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protection to support their claims.^{FN5} (Resp. to Gateway at 5.) See *Chirco v. Hampton Ridge, L.L.C.*, No. 01-72015 (E.D.Mich.) (Aug. 31, 2001, Stipulated Order) (J. Roberts) (conceding that the copyright registration for the Knollwood buildings is invalid). Rather, the thrust of Plaintiffs' claims is that Defendants, via the Gateway Oaks plans, infringed the Knollwood building design, as embodied in the Knollwood plans and their derivative works. (Compl. at ¶¶ 20, 24-25, 32-33, 36.)

FN5. Although Gateway, in its summary-judgment motion, asks the Court to issue a formal order invalidating the copyright registration of the Knollwood buildings, Vau 356-237, so as to notify the Copyright Office of its cancellation (Gateway Br. at 4-5, 8-9.), the Court declines to issue such an order because Plaintiffs have stipulated to the invalidity of the Knollwood buildings' copyright registration and because other courts have already issued orders regarding that registration. (See Resp. to Gateway at 6.)

To the extent that Gateway, once again, asserts that the invalidation of the Knollwood buildings' copyright registration demonstrates that the Knollwood building design is in the public domain (Gateway Br. at 9, Reply at 2.), the Court's April 29, 2005, opinion forecloses that assertion.

A. Standing

As a threshold matter, Design maintains that Plaintiffs lack standing under [17 U.S.C. § 501\(b\)](#) on the ground that they are neither the owners nor the exclusive licensees of the copyrighted materials. (Mot. at 1.) [17 U.S.C. § 501\(b\)](#) provides, in pertinent part:

The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it.

Pursuant to the 1997 Agreement, Mayotte granted exclusive licenses in the copyrighted materials to the following licensees: 1) Plaintiffs; 2) Knollwood Associates; 3) Aberdeen Village LLC, and 4) Mocer Development Corporation. (Design Br. at 2; Ex. D.) In

2003, MB Properties received a license in the copyrighted materials to develop Riverwalk, an Aberdeen-style development, in exchange for a license fee.^{FN6} (Design Br. at 2; Mocer Dep. at 14-16, Ex. E). Design asserts that [§ 501\(b\)](#)'s bestowal of copyright standing upon a copyright owner's "exclusive licensee" is limited to only a single such licensee. (Design Br. at 5.) Put another way, Design argues that a copyright owner's grant of a license to more than one individual destroys the exclusivity of any one license such that each licensee lacks copyright standing under [§ 501\(b\)](#). (Design Reply at 1.) Conceding that the Copyright Act does not define the term "exclusive," Design maintains that, under the plain-meaning of that term, "exclusive" denotes one or that which is not shared with another. (Design Br. at 5; Reply at 2.) Design underscores that, here, the licensees of the copyrighted materials have equal rights to those licenses and, thus, share the same bundle of rights with each other. (Design Br. at 5-6, Reply at 2; Mocer Dep. at 21-16; Chirco Dep. at 109-110, Ex. P.)

FN6. Design contends that this license is exclusive. (Br. at 2.) Plaintiffs underscore that the license to MP Properties is not exclusive because it is not in writing, as [17 U.S.C. § 204](#) requires for an exclusive license. (*Id.*) In any event, as Plaintiffs aptly note, the factual disputes surrounding the license to MP Properties is not material for purposes of resolving the standing issue.

Plaintiffs, in response, contend that Mayotte's grant of an exclusive license in the copyrighted materials to each Plaintiff, among others, constitutes the requisite exclusive license for purposes of copyright standing under [§ 501\(b\)](#). In support, Plaintiffs aptly note that the Copyright Act recognizes joint and exclusive ownership of the same bundle of rights. (Resp. to Design at 1, 6.) See *1 Nimmer On Copyright* §§ 6.09, 6.10 (observing that federal copyright law treats joint owners as "tenants-in-common," with each owning an undivided interest in the whole copyright and with each entitled to exercise all of the exclusive rights of a copyright owner that § 106 sets forth); *Fantasy, Inc. v. Fogerty*, 654 F.Supp. 1129, 1130 (N.D.Cal.1987) ("As joint owners of such exclusive rights as reproduction, preparation of derivative works, public performance, and distribution and sale, each co-owner has 'an independent right to use or license the use of the copyright.'") (citing *Oddo v. Ries*, 743 F.2d 630,

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[633](#) (9th Cir.1984)); [Bridgeport Music, Inc. v. Dimension Films](#), [230 F.Supp.2d 830 \(M.D.Tenn.2002\)](#)(discussing the rights of co-ownership of copyright). According to Plaintiffs, copyright law's recognition of joint ownership of exclusive rights demonstrates that [§ 501\(b\)](#) does not withhold copyright standing when there is more than one licensee of an exclusive license. (Resp. to Design at 9.)

*6 To find that a licensee of an exclusive license lacks copyright standing because the copyright owner also granted the exclusive license to one or more other licensees would, indeed, fly in the face of case law affirming the Copyright Act's recognition of joint ownership of exclusive rights. Moreover, it would be tantamount to holding that copyright law gives such licensees rights without the necessary remedy for a violation of those rights. Therefore, the Court finds that Plaintiffs have standing to assert their claims.

B. Copyright Infringement

A copyright owner has the exclusive right to reproduce the copyrighted work, to prepare derivative works based upon the copyrighted work, and to distribute copies of the work. [See 17 U.S.C. §§ 106\(1\), \(3\)](#). “Anyone who violates any of the exclusive rights of the copyright owner ... is an infringer of the copyright.” [17 U.S.C. § 501\(a\)](#); [see Sony Corp. v. Universal City Studios, Inc.](#), [464 U.S. 417, 423-433, 104 S.Ct. 774, 78 L.Ed.2d 574 \(1984\)](#). To establish a claim of copyright infringement, a plaintiff must show: 1) that he owns a valid copyrighted work; and 2) that the defendant copied protected elements of that work. [Lexmark Int'l, Inc. v. Static Control Components, Inc.](#), [387 F.3d 522, 534](#) (6th Cir.2004). “If no direct evidence of copying is available, a claimant may establish th[e] [second] element by showing that the defendant had access to the copyrighted work and that the copyrighted work and the allegedly copied work are substantially similar.” *Id.*

Gateway and Design argue that Plaintiffs, as a matter of law, have failed to demonstrate that Defendants, via the Gateway Oaks plans, infringed the Knollwood building design, as embodied in the Knollwood plans and their derivative works. (Design Mot. at 2, Br. at 11; Gateway Br. at 15.) According to Design, Brian Gill (“Gill”) of Design designed Gateway Oaks, and he did so independently and without any access to the

Knollwood plans or their derivative works. (Design Br. at 3; Gill Dep. at 41-42, 79, Ex. K) Here, Plaintiffs rely upon circumstantial evidence to demonstrate Defendants' alleged copyright infringement. [FN7](#)

[FN7](#). Defendants underscore that Plaintiffs lack any direct evidence of copyright infringement. Specifically, Design and Gateway contend that none of the witnesses had personal knowledge that any of the Defendants copied the Knollwood or Aberdeen plans. (Design Br. at 12; Gill Dep. at 83, Ex. K; Mocerri Dep. at 28, 33; Chirco Dep. at 63-64; Ex. U.)(Gateway Br. at 16, 18; Mocerri 3/27/03 Dep. at 21-22, Ex. 9; Chirco 4/3/03 Dep. at 9, 11, Ex 11; J. Mocerri 3/36/03 Dep. at 73; D'Angelo 8/6/03 Prelim. Inj. Tr. at 75.)

1. Access

Gateway and Design contend that Plaintiffs, as a matter of law, have failed to show that Defendants had access to the Knollwood building design, as embodied in the Knollwood plans and their derivative works. Plaintiffs, in turn, argue that they have presented sufficient evidence to raise a genuine issue of material fact that Defendants had such access. (Resp. to Design at 2-4.)

An opportunity to view the protected material constitutes the requisite access. [Robert R. Jones Assoc.](#), [858 F.2d at 277](#); [4 Nimmer on Copyright § 13.02\[A\]](#). A party may establish access by demonstrating that: 1) the copyrighted work had been widely disseminated; or 2) a particular chain of events occurred by which the alleged infringer might have gained access to the copyrighted work. [Three Boys Music Corp. v. Bolton](#), [212 F.3d 477, 482](#) (9th Cir.2000).

*7 Design and Gateway contend that none of the witnesses had personal knowledge that Design, via Gill, or Gateway had access to the Knollwood or Aberdeen plans before the Gateway Oaks plans were created on November 9, 2000. (Design Br. at 3, 12; Mocerri Dep. at 33-35; Chirco Dep. at 63-64, 70-71, Exs. L & Test.)(Gateway Br. at 15-16; Mocerri 3/27/03 Dep. at 64-65, Ex. 9.) As Gateway notes, D'Angelo testified that he had never seen or inspected the Knollwood plans until after the commencement of this suit. (Gateway Br. at 16; 8/6/03 Prelim. Inj. Tr. at 75, 84-85, Tab 17.)

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As Plaintiffs note, however, Mocerri averred that the Aberdeen plans were on file with the Shelby Township Building Department and, as such, were publicly available. (Mocerri Aff. at ¶ 47; Resp. to Design at 4.) Mocerri further averred that Plaintiffs advertised their condominiums in a variety of sources, including the Sunday newspapers and the Internet, and that those sources, especially the Internet, contained detailed drawings of the Knollwood building design. (Resp. to Design/Gateway at 4; Mocerri Aff. at ¶¶ 20-21, 45.)

In any event, Plaintiffs principally contend that Defendants copied the Knollwood building design from the Aberdeen Pines and Gardens plans or buildings, which embody that design, rather than from the Knollwood plans or the Aberdeen (Village) plans or buildings, the copyrights allegedly infringed. (*See* Merz Dep. at 57-58, Design Ex. J.) (testifying that all of the Aberdeen projects embody the Knollwood building design). Gateway challenges, without elaboration, Plaintiffs' reliance upon the other Aberdeen projects to show Defendants' access to the Knollwood building design. (Reply at 4.) However, the Court, in its August 28, 2003, opinion found it proper to consider evidence of Defendants' access to the Knollwood building design via Aberdeen Pines and Gardens. (Opinion at 28 n. 15.) Indeed, “[o]ne who views a performance of a copyrighted work and copies expressions contained in that work may be found to have infringed” the underlying work. [*Twin Peaks Prods., Inc. v. Publications Int'l, LTD.*, 996 F.2d 1366 \(2d Cir.1993\)](#) (holding that the defendant's access to broadcast programs that “contained virtually all of the protected expression in the [allegedly-infringed] teleplays” serves “as the functional equivalent of access to the protectable content of the teleplays”).

As to Defendants' alleged access to Aberdeen Pines, Plaintiffs point to the Declaration of Tom Wujczyk (“Wujczyk”), which demonstrates the following: 1) brochures for Aberdeen Pines, which included its building design, were distributed beginning in July of 2000; 2) the first visitors to Aberdeen Pines arrived in July of 2000; 3) five units of Aberdeen Pines were sold by July 16, 2000; 4) the Master Deed for Aberdeen Pines, which includes floor plans that MCS prepared, was recorded on August 23, 2000; 5) the first building permit and Certificate of Occupancy for Aberdeen Pines were issued on November 15, 2000,

and May 14, 2001, respectively; 6) the Gateway Oaks plans were not created until long after Aberdeen Pines was constructed; and 7) by the time that Gateway Oaks received its first building permit on May 13, 2002, all 168 units of Aberdeen Pines were fully constructed and occupied. (Exs. A & B, Resp. to Design; Wujczyk Aff. at ¶¶ 7-8)(Resp. to Gateway at 2-4.) As Plaintiffs further underscore, Jack Nelson, D'Angelo's partner in Gateway Oaks, was the title agent for Aberdeen Pines and, as such, had direct access to its master deeds and other documents showing the Knollwood building design. (Resp. to Gateway at 2, 12; Deeds, Ex. B.) Concerning Aberdeen Gardens, in particular, Wujczk averred that construction on Aberdeen Gardens began in November of 1998, and that all 360 units of Aberdeen Gardens were fully constructed and occupied by May 13, 2002. (Wujczk Aff. at ¶¶ 5, 8.)

*8 According to Plaintiffs, the master deeds for Aberdeen Pines and Gardens, both of which embody the Knollwood building design, were filed with the Macomb County Register of Deeds and, thus, were a matter of public record. (Resp. to Gateway at 2-3, 12.) Wujczk averred that MCS prepared the master deeds for Aberdeen Pines, Aberdeen Gardens, and Gateway Oaks, and that he provided MCS with construction drawings of Aberdeen Pines and Gardens so that MCS could prepare those deeds. (*Id.* at 12; Wujczk Aff. at ¶¶ 2-4.) Additionally, Plaintiffs argue that the Gateway Defendants' hiring of MCS and Hall, both of which had worked on Aberdeen Pines and Gardens, shows Defendants' intention to copy the Knollwood building design and “to achieve the economic advantage of using subcontractors who had already created and constructed the virtually identical Aberdeen projects.” (Resp. to Design at 3; Resp. to Gateway at 4.)

Design and Gateway assert that there is insufficient evidence, as a matter of law, that they had access to the Knollwood building design, as embodied in the Knollwood plans and their derivative works. (Design Reply at 5; Gateway Br. at 15.) Specifically, Design and Gateway contend that there is nothing but speculation to show that they possessed or viewed any plans embodying the Knollwood building design, and that such speculation is insufficient to rebut Gill's testimony that he independently created the Gateway Oaks plans. (Design Br. at 12; Reply at 5; Gill Dep. at 79, Ex. K; Gateway Br. at 15.) However, as recited above, Plaintiffs have presented much more evidence of

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access-i.e. a mere opportunity to view-than bare speculation.

Plaintiffs have created an issue of fact as to whether Defendants had access to the Knollwood building design, as embodied in the Knollwood plans and their derivative works. Of special note, in [Ronald Mayotte & Assoc. v. MGC Bldg. Co., 885 F.Supp. 148, 152 \(E.D.Mich.1994\)](#), Judge Nancy Edmunds found the requisite access to architectural plans based upon evidence that the defendant built the infringing development in the vicinity of the plaintiff's homes; that the plaintiff had distributed sales brochures containing their copyrighted designs; and that the plaintiff had submitted those designs to the City of Novi. *See also Robert R. Jones Assoc., Inc., v. Nino Homes, 686 F.Supp. 160, 162 (E.D.Mich.1987)* (finding access to copyrighted floor plans where companies built homes in the same neighborhood and the plaintiff opened model homes for public viewing). As the Court noted in its August 28, 2003, opinion, the evidence then available, "taken as a whole, would be sufficient to create a [n] ... issue of ... fact [regarding Defendants' access] for purposes of a summary judgment motion." (Opinion at 28). The evidentiary landscape has not materially changed since that time.

2. Substantial Similarity to Protected Elements

"To demonstrate substantial similarity, a Plaintiff need not prove mindless, slavish, or inartful copying. Rather, substantial similarity exists if, comparing the allegedly infringing work to the copyrighted work, 'an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work.'" [Arthur Rutenberg Homes, Inc. v. Maloney, 891 F.Supp. 1560, 1567 \(M.D.Fla.1995\)](#); *see Kohus, 328 F.3d at 855* (holding that substantial similarity does not require identity, and that it exists where the work is recognizable as having been taken from the copyrighted source).

*9 Assuming *arguendo* that the Knollwood building design is protected, Gateway and Design maintain that Plaintiffs, as a matter of law, have failed to establish that the Gateway Oaks plans are substantially similar to that design, as embodied in the Knollwood plans and their derivative works. (Gateway Br. at iv.) Plaintiffs contend otherwise. (Resp. to Gateway at 2.)

Gateway contends that, because Johnson and Merz

identified over 547 differences between the Aberdeen and Knollwood plans and the Gateway Oaks plans, those plans are not substantially similar. (Gateway Br. at 19; Johnson Report at 6-26, Ex. 26/B) However, as the Court, in its August 28, 2003, opinion, recognized:

The differences within the units, such as changes in the location of the bedrooms, changes in the dimensions of the rooms, etc., are immaterial to whether the two buildings are substantially similar with respect to the overall arrangement of space. As noted in Nimmer on Copyright:

It is entirely immaterial that, in many respects, [the] plaintiffs' and [the] defendant's works are dissimilar, if in other respects, similarity as to a substantial element can be shown. 'No plagiarist can excuse the wrong by showing how much of his work he did not pirate.' If substantial similarity is found, the defendant will not be immunized from liability by reason of the addition in his work of different characters or additional and varied incidents, nor generally by reason of his work proving more attractive or saleable than the plaintiffs.

4 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT § 13.03[B][1][a] (2003) (quoting [Sheldon v. Metro-Goldwyn Pictures Corp., 81 F.2d 49 \(2d Cir.1936\)](#)(Hand.J.)).

Design and Gateway argue, with much effort, that Merz, Plaintiffs' expert, testified that, in his opinion, Defendants did not copy, reproduce, or distribute the Knollwood or Aberdeen plans. (Design Br. at 3; Merz Dep. at 99-101, Ex. J)(Gateway Br. at iv, 16; Merz Dep. at 44-45, 155-56, Ex 7). In support, Gateway cites to the following excerpt from Merz's deposition testimony:

Q.... Did you ever compare the drawings of the Gateway building with the sheets of drawings of the Knollwood building on a sheet by sheet basis to see whether Gateway reproduces ... any of the sheets of the Knollwood ... drawings?

A. I looked at both projects and many more. I did not do a sheet by sheet comparison of any projects, not even the projects, the separate projects generated by Mocerri/Mayotte, nor do I think that's germane to my opinion. I have never contended that individual

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sheets were copied, in fact that would be quite obvious, you know, what somebody was copying. What I contend repeatedly is the design was designed early on by Mayotte and Mocerri, and[,] after that design came about[,] other developers started using it and that-in light of that, the individual sheets of drawings were not important to me and I had no opinion on that. So you're asking me repeatedly something that I cannot and will not testify to. I just-it's not germane to my opinion, it's not what I did.

***10** (Merz 3/23/04 Dep. at 44-45, Ex. 7.) According to Gateway, Merz further testified that, upon comparing the sheets of the Knollwood or Aberdeen plans with the Gateway Oaks plans at his deposition, he believed that they were not copies. (Gateway Br. at iv, 12 n. 15; Merz Dep. at 139-40, 147-48, 172, Ex. 7.)

This argument, however, mischaracterizes Merz's testimony. While Merz testified, in effect, that Defendants did not literally or slavishly copy the Knollwood or Aberdeen plans-i.e. by Xeroxing the protected plans or tracing each line in them and treating the resulting product as belonging to Gateway Oaks (Merz Dep. at 99-100, 133, 154)-Merz never wavered on his belief that the Gateway Oaks plans copied the Knollwood building design, as embodied in the Knollwood plans and their derivative works. (Design Br. at 9; Merz Dep. at 69-72, 155-56, Ex. J; Merz Rule 26 Report, Ex. Q). For example, Merz testified that the "similarities of the dimensions of the footprints, it's way too close to start to say this was just totally independently arrived at" (Merz Dep. at 98, Ex.J); that "the design idea is copied" (*Id.* at 99.); and that the "spacial arrangement ... is a copy." (*Id.* at 99, 101-02).

Gateway argues that a side-by-side comparison of the Knollwood and Gateway Oaks plans reveal that no substantial similarity exists between them. (Gateway Br. at 19; *see* Ex. 26/B & D; Johnson Report 6-26, Ex. 26.) Gateway notes that Design, via Gill, testified that it did not reproduce, replicate, or distribute the Knollwood or Aberdeen plans. (Gill Dep. at 88; Gateway Br. at iv.) Johnson, at the preliminary-injunction hearing, testified that the Gateway Oaks plans were not a copy of the Knollwood and Aberdeen plans. (Gateway Br. at 19; Prelim. Inj. Tr. at 134-49, Ex. 17).

As Plaintiffs note, the Court, in its August 28, 2003, opinion, found the requisite evidence of substantial similarity. (Resp. to Design at 13; Opinion at 30.) Specifically, the Court concluded:

It cannot be doubted ... that sufficient similarities exist between the two arrangements of space which requires submission of the case to the ultimate trier of fact. An overlay of the Gateway Oaks building 'footprint' and the Aberdeen Village 'footprint' reveals that the overall building perimeters are quite similar. (Def.'s Resp. Br. Exh. 3-Johnson Report Exh. X.) More importantly, the overall arrangement of space is strikingly similar. Both buildings contain twelve units that are efficiently divided into four identical fire rated quadrants without the use of a common hallway. Each individual unit, as a whole, is positioned within the overall complex in virtually the same manner. This positioning allows each unit in both buildings to have direct access to the occupant's garage.

At the same time, one of the more important features of Plaintiffs' arrangement of space is noticeably absent from the Gateway Oaks arrangement of space. The Knollwood and Aberdeen Village developments have six single-car garages located at the end of the building. The positioning of all of the garages at the end of the building facilitated two of the more important, and more original, features of Plaintiffs' arrangement of space-(1) the architecturally identical nature of the front and back of Plaintiffs' buildings which created an attractive visual appeal; and (2) the building's ability to efficiently occupy a site because the garages of adjoining buildings would face each other, allowing for a compact driveway orientation between two buildings. (Mocerri Affidavit ¶ 's 9-10.) The Gateway Oaks building, on the other hand, lacks this critical arrangement of space. The Gateway Oaks building has four garages positioned in the front. As such, the front and back of the Gateway Oaks building are not architecturally identical, an important distinction.

***11** (August 28, 2003, Opinion at 32-33.) While this reasoning does not constitute the law of the case, it is persuasive as the evidentiary background upon which it rests has not materially changed. Thus, Plaintiffs have created an issue of fact as to whether the Gateway Oaks plans are substantially similar to the Knollwood building design, as embodied in the

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Knollwood plans and their derivative works.

The record evidence, when viewed in Plaintiffs' favor, creates issues of fact as to whether Defendants had access to the Knollwood building design, as embodied in the Knollwood plans and their derivative works, and as to whether the Gateway Oaks plans are substantially similar to that design. However, as discussed below, Plaintiffs' claims fail as a matter of law for another reason.

C. Copyright Protection for the Knollwood Building Design

Gateway and Design contend that the “Knollwood building design”—the arrangement of space—is not entitled to copyright protection on three principal grounds.

1. The AWCPA

Design contends that the Knollwood building design, as embodied in the Knollwood plans and their derivative works, is not entitled to copyright protection because the Knollwood plans and buildings, both of which embody that design, were constructed and published, respectively, before December 1, 1990, the effective date of the AWCPA. (Design Mot. at 1, Br. at 2-3, 7; Reply at 2-4; Ex. F & G.) Design asserts that, regardless of whether it is embodied in plans or buildings, a design of a building—defined as an “architectural work” under the AWCPA—may be copyrighted only if, pursuant to the AWCPA, it was published or constructed after December 1, 1990.^{FN8} (Design Br. at 7-8; Reply at 2-4.) Design further asserts that, even though the Knollwood plans—created before December 1, 1990—and the Aberdeen plans and buildings—created after December 1, 1990—embody the Knollwood building design, that design was and always will be in the public domain by virtue of its having been published or constructed before December 1, 1990. (Design Mot. at 1-2; Reply at 2-4.) According to Design, only the AWCPA affords copyright protection to building designs. (Design Br. at 8; Reply at 4.)

^{FN8}. See [37 C.F.R. 202.11\(d\)\(3\)](#) (excluding from registration as an architectural work “[t]he design of buildings where the plans or drawings of the buildings were published before December 1, 1990 or the buildings

were constructed or otherwise published before December 1, 1990”); [37 C.F.R. 202.11\(c\)\(5\)](#) (“Publication of an architectural work occurs when underlying plans ... of the building or other copies of the building design are distributed or made available to the general public by sale or other transfer of ownership or by rental, lease or lending. Construction of a building does not itself constitute publication for purposes of registration unless multiple copies are constructed.”)

Plaintiffs, in response, rely upon the arguments that they set forth in their pleadings on their re-filed motion. (Resp. to Design at 1, 10-12.) Specifically, Plaintiffs assert that, as a matter of law, the building design of the copyright-protected Knollwood plans is not in the public domain by virtue of having been built in buildings falling outside the AWCPA. (Re-filed Mot. at 1; Br. at 1.) According to Plaintiffs, the Knollwood buildings, like the Aberdeen plans and buildings, are derivatives of the Knollwood plans, the original copyrighted material.^{FN9} (Re-filed Br. at 1; See August 28, 2003, Opinion at 22-23.) Plaintiffs argue that the absence of copyright protection for derivative buildings under the AWCPA does not negate the validity of the copyright in the underlying plans or, as Defendants contend, turn the building design in the protected plans over to the public domain. (Re-filed Br. at 1-7.) Plaintiffs underscore that the Court's August 28, 2003, opinion and order denying Plaintiffs' motion for a preliminary injunction held as much and, thus, forecloses Defendants' continued reliance upon any such legal defense. (Re-filed Br. at 1.)

^{FN9}. Gateway asserts that Plaintiffs' continued contention that the Knollwood buildings are derivatives of the Knollwood plans lacks any factual or evidentiary basis. (Resp. at 4. n. 9.) Specifically, Gateway argues that the Knollwood buildings' registration does not indicate that they are such derivative works. (*Id.* at 4-5 n. 9, 11.) See [17 U.S.C. § 109](#) (providing that the application for copyright registration should include, “if the work has been published, the date and identification of its first publication” and, if the work is derivative, “an identification of any pre-existing work ... that it incorporates, and

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a brief, general statement of the additional material covered by the copyright being registered”).

Yet, to remedy this defect in the initial registrations, supplemental registrations, filed in October of 2001, identified the Aberdeen copyrights as derivatives of the Knollwood plans. (Compl. Ex. A., U.S. Copyright Registrations No. VAu 535-027 and VAu 535-028); *Chirco v. Hampton Ridge, L.L.C.*, No. 01-72015, at 15 (E.D.Mich. Sept. 24, 2002) (Order Adopting in Part and Denying in Part the Report and Recommendation of the Magistrate Judge). Moreover, Gateway cannot plausibly argue that the construction of the Knollwood buildings preceded the plans for such construction.

*12 Plaintiffs are correct. As the Court found in its August 29, 2005, opinion granting Plaintiffs' re-filed motion, the Court's August 28, 2003, opinion, the complete reasoning of which the Court will not belabor by repeating, makes clear that “the Knollwood building design receives copyright protection by virtue of the copyright protection of the Knollwood plans, which embody the building design, as a ‘pictorial, graphic, or sculptural work’ under [17 U.S.C. § 102\(a\)\(5\)](#), which separate copyright protection the AWCPA leaves intact.”^{FN10} (April 29, 2005, Opinion at 14.) Neither a change in intervening law nor any arguments in Design's pleadings repudiate this legal conclusion or counsel against applying it as the law of the case. Design cites no legal authority dictating otherwise.

^{FN10}. On May 13, 2005, all of the Defendants except Design filed a motion for reconsideration of the Court's April 29, 2005, ruling. The Court, however, concludes that they are not entitled to relief under Eastern District of Michigan Local Rule 7.1(g). Accordingly, the Court DENIES Defendants' motion for reconsideration.

The Court wishes to underscore, however, the limited scope of protection that the Knollwood plans-and, thus, the Knollwood building design that they embody-receive as “pictorial, graphic, or sculptural” works under [17 U.S.C. § 102\(a\)\(5\)](#). Although one

properly could construct a building that is identical to the building depicted in the Knollwood plans, one could not directly copy those plans-in whole or in part-and then use the infringing copy to construct a building. See [Robert R. Jones, Assoc., 858 F.2d at 280](#); [Imperial Homes Corp., 458 F.2d at 899](#). Moreover, if one were to have made infringing copies of the Knollwood plans, the recoverable damages would include any losses stemming from the subsequent use of those infringing copies, such as by constructing a building based upon them. See [Robert R. Jones, Assoc., 858 F.2d at 280](#).

2. Ideas Versus Expression of Ideas

Gateway and Design cursorily argue that the Knollwood building design is in the public domain because it consists of unprotected ideas rather than the protected expression of ideas. See [Nino Homes, 858 F.2d at 277](#) (“Copyright protects only the work's particular expression of an idea, not the idea itself.”)(internal quotation marks omitted). (Design Br. at 3, 11; Merz Dep. at 78-80, 83-84, 88; Chirco Dep. at 57-58, Mocerri Dep. at 79-80, Exs. J & M.) (Gateway Br. at 12, Reply at 1.) However, the Court, in its August 28, 2003, opinion clearly rejected such an assertion. (Opinion at 16.) As the Court reasoned, in pertinent part:

... Plaintiffs do not seek a monopoly in the individual ideas contained in their copyrighted architectural plans and works. Instead, ... [they seek] to protect the original expression of these architectural features in the combined arrangement of space expressed in the copyrighted material...

This protection, therefore, would not prevent a third-party, such as the Defendants in this case, from independently creating their own architectural plans based upon general abstract ideas circulating in the architectural community (such as locating single car garages on each side of a building so [that] each occupant will have direct access to their own garage). Instead, copyright protection of the architectural plans (expression) merely prohibits a third-party, as Plaintiffs allege in this case, from simply copying another's copyrighted original expression in order to avoid the time and expense of independently creating their own original expression based upon abstract ideas.

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*13 (August 28, 2003, Opinion at 16-18.) Neither a change in intervening law nor any arguments or evidence set forth in Gateway's or Design's pleadings negate this holding or counsel against applying it as the law of the case.

3. Originality

Gateway argues that the Knollwood building design, as embodied in the Knollwood plans and their derivative works, is unprotected because it is not original to Mayotte, its alleged creator. (Gateway Br. at 12 n. 16, 13; Reply at 3-4.) “The *sine qua non* of copyright is originality.” [*Feist Publ'n Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 \(1991\)](#). In the context of copyright law, originality only means “that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity.” *Id.*

As discussed previously, the Knollwood building design is a twelve-unit structure whose first floor consists of four units and two rows of six single-car garages at each end and whose second floor consists of eight units, four of which are over the garages. (Merz Aff. at ¶¶ 8-10.) Each of the second-floor units that are over the garages are placed on three such garages so that the building consists of four distinct quadrangles with fire rated walls separating each quadrangle. (*Id.*) Each of the twelve units has direct access to its assigned garage. (*Id.*)

Gateway asserts that Mayotte copied the Knollwood building design from one or more of three pre-existing sources of that design. (Gateway Br. at 13-14; Reply at 4.) As Douglas A. Johnson (“Johnson”) averred, the Glens of Bloomfield (“the Glens”) is an eight-unit apartment building, constructed in 1966, that includes “garages on the outer ends of each building, with carriage units over the garages.” (Johnson Supp. Aff. at ¶¶ 15-16.) According to Johnson, the Glens is located eight miles from Mayotte's office and is visible from its major crossroads. (*Id.* at ¶ 15.) Johnson further averred that Maple Place, constructed between 1983 and 1984, is an eight-unit condominium building that consists of four units on each floor; four garages on each end of the building with each garage having direct access to its assigned unit; stacked ranches with back-to-back layouts; and the quadrant design. (Gateway Br. at 13; Johnson Aff. at ¶¶ 5-8.) Accord-

ing to Johnson, Maple Place is located thirteen miles from Mayotte's office and is readily visible from one of its major crossroads. (Johnson Aff. at ¶¶ 4, 14.) Johnson averred that Mayotte's draftsman, Lanny Galyon, inspected Maple Place before creating the Knollwood plans. (*Id.*)

Noting that the Knollwood building design includes two additional units above the garages on each end of the building to create a twelve-unit structure, Johnson averred, however, that Huntington Park, along with the Glens, contained such above-garage units. (Johnson Aff. at ¶¶ 5, 14.) According to Johnson, Huntington Park, constructed in 1986, is a ten-unit building that consists of stacked ranches; garages at each end of the building with each garage having direct access to its assigned unit; and carriage units above the garages. (*Id.* at ¶ 12.) Johnson further averred that Huntington Park is located three miles from Plaintiff Mocerri's office, and that Plaintiffs, as they testified, saw that structure before designing the Knollwood buildings. (*Id.* at ¶ 11.)

*14 In response, Plaintiffs simply assert that Merz's affidavit and his testimony at the preliminary-injunction hearing, which the Court cited in its August 28, 2003, opinion, create a genuine issue of material fact as to whether the Knollwood building design was original to Mayotte. (Resp. to Gateway at 10). At the hearing, Merz testified that, upon viewing the plans in their entirety:

I was hit by a eureka kind of moment, because what jumped off of all the projects at me was the arrangement of spaces, the design that put six garages on end of the rectangular building with ... four first floor units between and eight above, and the quality that this involved, I have never seen before, that each had a separate front entrance, but also had direct access to the garage, and that the configuration design of the overall building, not where windows are, not where bathrooms are, stairs, but the overall design. It is so compacted, so efficient, had such nice features, that you could evolve a whole series of designs out of it ... I could take or any competent architect could take it and design it to be a black forest tudor, or cotswold cottage, or some of the things that we have seen here. What I found of value, what I found to be distinctive in this design was the spacial arrangements of these units in the garage, which were very attractive and compact, they []

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have a whole bunch of other possibilities, density on site, part like spaces out of the windows, et cetera. A very economical roadway available with the design.

(Prelim. Inj. Tr. at 181-82.)

As Gateway aptly argues, Merz's testimony as to his opinion of the originality of the Knollwood building design-i.e. that he had never seen such a design before-is insufficient to rebut Defendants' evidence of Mayotte's copying of that design from at least one of three pre-existing sources. (Gateway Br. at 12 n. 16.) Indeed, Merz testified that, although he was not aware of any pre-existing sources of the Knollwood building design, he was not in a "position to say that" such sources did not exist. (Merz Dep. at 65.) Moreover, Merz testified that he never asked Mayotte whether the design was original to him. (Gateway Br. at 12 n. 16; Merz Dep. at 61, 138.)

Taking a different tack, Plaintiffs contend that the Court's August 28, 2003, opinion finding that the "overall combination of features, taken as a whole, constituted an original arrangement of space" is controlling here. (Opinion at 31; Resp. to Gateway at 10.) However, the issue of whether that arrangement of space was original to Mayotte was not before the Court at that time.

The Court concludes that Plaintiffs have failed to designate any record evidence that would create a genuine issue of material fact as to whether Mayotte independently created the Knollwood building design, as embodied in the Knollwood plans and their derivative works. Because Plaintiffs have failed, as a matter of law, to establish that such a design is entitled to copyright protection, Plaintiffs' claims of direct and indirect copyright infringement based upon that design necessarily fail. See *Bridgeport Music Inc. v. Diamond Time, Ltd.*, 371 F.3d 883 (6th Cir.2004) (holding that contributory copyright infringement cannot exist absent direct copyright infringement.)

III. SUMMARY

***15** For the preceding reasons, the Court GRANTS Defendants' motions for summary-judgment on all of Plaintiffs' claims.^{FN11}

^{FN11}. On May 13, 2005, all of the Defen-

dants except for Design filed a Petition under [28 U.S.C. § 1292\(b\)](#) to Appeal the Court's April 29, 2005, Opinion and Order. The Court denies this petition as moot.

SO ORDERED.

E.D.Mich.,2005.

Chirco v. Gateway Oaks, LLC

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H

United States District Court, S.D. New York.
Michael GILLESPIE and Peter Chin, Plaintiffs,

v.

AST SPORTSWEAR, INC., Bennie Miles and Patrick
Ying, Defendants.

No. 97Civ.1911(PKL).

Feb. 22, 2001.

Gaynor & Bass, New York, New York, [Michael J. Gaynor](#), [Emily Maruja Bass](#), Schuerer & Hardy, P.C., [Terence C. Scheurer](#), New York, NY, for Plaintiffs, of counsel.

Gottlieb, Rackman & Reisman, P.C., New York, New York, [George Gottlieb](#), [Maria Savio](#), [Ronald A. Giller](#), [George C. Shih](#), New York, NY, for Defendants AST Sportswear, Inc. and Patrick Ying, of counsel.

MEMORANDUM ORDER

[LEISURE](#), J.

*1 Plaintiffs Michael Gillespie and Peter Chin bring this action against defendants AST Sportswear, Inc. (hereinafter "AST"), Aaron Benjamin Miles, and Patrick Ying, alleging, *inter alia*, that defendants infringed their copyrights in designer photographs and advertisement designs in violation of the Copyright Act of 1976, [17 U.S.C. § 101](#) *et seq.*, and state misappropriation law. After filing their Fourth Amended Complaint on March 14, 2000, plaintiffs moved for summary judgment on their federal claims against all defendants, whom plaintiffs seek to hold joint and severally liable.^{FN1} For the reasons stated below, plaintiffs' motion for summary judgment is denied.

FN1. Defendants' cross-motion to dismiss plaintiffs' complaint based on lack of subject matter jurisdiction over the copyright claim, preemption of plaintiffs' pendent state law claims by the Copyright Act, and failure to state a claim against defendant Ying for personal and individual liability, has been withdrawn in its entirety. *See* Defendants' Memorandum of Law in Opposition to

Plaintiffs' Motion for Summary Judgment (hereinafter "Def's. Opp. Mem."), dated June 9, 2000, at 1 n. 1.

BACKGROUND

Plaintiff Michael Gillespie is a freelance commercial art director and graphic artist in the fashion, film, and recording industry. *See* Fourth Amended Complaint (hereinafter "Fourth Am. Compl.") ¶ 2; Affidavit of Michael Gillespie, sworn to on Apr. 7, 2000 (hereinafter "Gillespie Aff.") ¶ 2. Plaintiff Peter Chin is a freelance photographer. *See* Fourth Am. Compl. ¶ 3; Affidavit of Peter Chin, sworn to on Apr. 6, 2000 (hereinafter "Chin Aff.") ¶ 1. Defendant Patrick Ying is the president of AST, a sportswear distributor. *See* Fourth Am. Compl. ¶ 4; Affidavit of Patrick Ying, sworn to on Oct. 20, 1998 (hereinafter "Ying Aff.") ¶ 1. In September of 1995, AST entered into an exclusive agreement with Aaron Benjamin Miles, a fashion designer more commonly known as "Benni," whereby Miles licensed his "Sir Benni Miles" trademark to AST and agreed to serve as AST's exclusive designer for the Sir Benni Miles line of apparel. *See* Affidavit of Aaron Benjamin Miles, sworn to on Oct. 23, 1998 (hereinafter "Miles Aff.") ¶¶ 2, 5-6; Ying Aff. ¶ 2. Under the terms of the agreement, Miles was responsible for all aspects of advertising and marketing, including graphics design, logo creation, and advertising concepts. *See* Miles Aff. ¶ 3.

In August 1996, Miles and Gillespie were introduced by a mutual acquaintance. *See* Miles Aff. ¶ 10; Ying Aff. ¶ 2. A few weeks later, in early September, Miles invited Gillespie to assist him in the production of certain marketing materials. *See* Miles Aff. ¶ 18; Ying Aff. ¶ 3. Soon after, the parties conducted a "photo shoot" with four models. *See* Gillespie Aff. ¶¶ 27-31; Miles Aff. ¶¶ 18-20; Ying Aff. ¶¶ 3-5. Although Chin alone took the pictures, *see* Chin Aff. ¶ 8, the parties dispute the extent to which Miles contributed to the overall photographic effort. *Compareid.* ¶¶ 7-13, and Gillespie Aff. ¶¶ 26-35, with Miles Aff. ¶¶ 19-20. The shoot produced 312 photographs, which later became various promotional materials for the Sir Benni Miles line of apparel. *See* Gillespie Aff. ¶¶ 1-2; Miles Aff. ¶ 24.

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In or about November 1996, Gillespie became aware that defendants were using various advertising and promotional materials that were based on the photographs to promote the Sir Benni Miles line of apparel. *See* Gillespie Aff. ¶ 14. Specifically, Gillespie alleges that defendants produced exhibition-size posters, advertisements in magazines including *Vibe* and *Source*, promotional cards, hangtags, folders, labels, and clothing designs that either incorporated or were derivative of one or more of the photographs. *Seeid.* ¶¶ 15, 16.

*2 In early 1997, plaintiffs registered a copyright in these photographs with the United States Copyright Office, and Gillespie registered a copyright in the design and layout for two derivative works: an advertisement for Sir Benni Miles and a promotional postcard for the clothing line. *See* Gillespie Aff. ¶¶ 4, 5. On February 3, 1997, the Copyright Office issued Certificates of Registration to both plaintiffs for the photographs and to Gillespie for the derivative works. *Seeid.* ¶¶ 4, 6. Miles maintains that he played a substantial role in creating each of these works, and therefore plaintiffs have no right to use or publish them. *See* Miles Aff. ¶¶ 40-44. Ying asserts that it was always his understanding that the rights to the photographs, advertisements, and promotional materials either belonged to AST or that AST had the exclusive right to use them, pursuant to its agreement with Miles. *See* Ying Aff. ¶¶ 19, 30. Both Miles and Ying insist that it was never contemplated that either Gillespie or Chin would hold the copyright in any of these works. *Seeid.* ¶ 27; Miles Aff. ¶ 44.

On March 18, 1997, Gillespie commenced this action against defendants. *See* Original Complaint. Gillespie has since amended the original complaint three times, most recently to name Chin as an additional plaintiff. *See* Fourth Am. Compl. ¶ 3.

The parties agree that plaintiffs were never employees of AST or Miles, and that neither plaintiff ever entered into a “work-for-hire” or “buy out” agreement with any of the defendants. *See* Plaintiffs' Statement Pursuant to [Local Civil Rule 56.1](#) (hereinafter “Pls. 56.1 Stmt.”), ¶¶ 7-8, 12, 23, 26; Defendants' Response to Pls. 56.1 Stmt. (hereinafter “Defs. 56.1 Resp.”), ¶¶ 7-8, 12, 23; Chin Aff. ¶¶ 14-15; Gillespie Aff. ¶¶ 9-12. However, the parties continue to disagree over their respective roles in the photo shoot and the creation of the promotional materials, *see* Pls. 56.1 Stmt. ¶¶ 3,

9-10, 15, 20-21; Defs. 56.1 Resp. ¶¶ 3, 10, 15, 20-21, and dispute the existence of an oral licensing agreement that would permit defendants to use the photographs and derivative works. *See* Pls. 56.1 Stmt. ¶¶ 11, 22; Defs. 56.1 Resp. ¶¶ 11, 22, 24.

Initially, both plaintiffs and defendants AST and Ying (hereinafter the “moving defendants”) sought summary judgment. *See* Plaintiffs' Notice of Motion, dated Apr. 7, 2000, at 1-2; Defendants' Notice of Cross-Motion, dated Oct. 23, 1998, at 1-2; Affidavit of Maria A. Savio, Esq., sworn to on Oct. 20, 1998 (hereinafter “Savio Aff.”), ¶¶ 17-18. However, by its memorandum of law in opposition to plaintiffs' motion, the moving defendants withdrew all of their arguments due to recent changes in the law and amendments to plaintiffs' Complaint. *See* Defendants' Memorandum of Law in Opposition to Plaintiffs' Motion for Summary Judgment (hereinafter “Defs. Opp. Mem.”), dated June 9, 2000, at 1 n. 1. In accordance with these developments, the moving defendants' motion for summary judgment is denied with prejudice, and only plaintiffs' motion for summary judgment remains to be decided.

DISCUSSION

I. Standard for Summary Judgment

*3 A moving party is entitled to summary judgment if “the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.” [Fed.R.Civ.P. 56\(c\)](#); *see also* [Celotex Corp. v. Catrett](#), 477 U.S. 317, 322-23 (1986); [Holt v. KMI-Continental, Inc.](#), 95 F.3d 123, 128 (2d Cir.1996). The burden is on the moving party to demonstrate that no genuine issue of material fact exists. *See* [Adickes v. S.H. Kress & Co.](#), 398 U.S. 144, 157 (1970); [Gallo v. Prudential Residential Servs. L.P.](#), 22 F.3d 1219, 1223-24 (2d Cir.1994). “In moving for summary judgment against a party who will bear the ultimate burden of proof at trial, the movant's burden will be satisfied if he can point to an absence of evidence to support an essential element of the non-moving party's claim.” [Goenaga v. March of Dimes Birth Defects Found.](#), 51 F.3d 14, 18 (2d Cir.1995).

When deciding a motion for summary judgment, the Court's function is not to try issues of fact, but instead

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to determine whether there remain any such issues to try. *See Sutura v. Schering Corp.*, 73 F.3d 13, 15-16 (2d Cir.1995). In doing so, the Court must resolve all ambiguities and draw all justifiable inferences in favor of the non-moving party. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986); *see also Holt*, 95 F.3d at 129. However, the substantive law governing the case will identify those facts that are material, and “[o]nly disputes over facts that might affect the outcome of the suit under the governing law will preclude the entry of summary judgment.” *Anderson*, 477 U.S. at 248.

“A ‘genuine’ dispute over a material fact only arises if the evidence would allow a reasonable jury to return a verdict for the nonmoving party.” *Dister v. Continental Group*, 859 F.2d 1108, 1114 (2d Cir.1988) (quoting *Anderson*, 477 U.S. at 248). Thus, the non-moving party “must do more than simply show that there is some metaphysical doubt as to the material facts.” *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). “[M]ere speculation or conjecture” will not suffice, *Western World Ins. Co. v. Stack Oil, Inc.*, 922 F.2d 118, 121 (2d Cir.1990), nor will “reliance on unsupported assertions.” *Goenaga*, 51 F.3d at 18. Rather, the non-moving party must provide “concrete evidence from which a reasonable juror could return a verdict in his favor.” *Anderson*, 477 U.S. at 256.

II. Disputed Facts

The parties have identified three issues that remain in dispute, although they disagree as to whether the issues are material to the outcome of this case. These issues are: (1) whether Miles is a joint author of the photographs and promotional materials; (2) whether plaintiffs' copyright registrations are invalid on account of their failure to name Miles as a co-author; and (3) whether the parties entered into a licensing agreement to use the copyrighted works. The Court will address each issue in turn.

A. Joint Authorship

*4 The Copyright Act defines a “joint work” as “a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” 17 U.S.C. § 101. Joint authors, who co-own the copyright, *see* 17 U.S.C. § 201(c), each have an independent and

undivided right to use or license the copyright, subject only to a duty to account to the other joint owner(s) for any profits earned. *See Thomson v. Larson*, 147 F.3d 195, 199 (2d Cir.1998); *see also Weissmann v. Freeman*, 868 F.2d 1313, 1318 (2d Cir.1989) (“[A]n action for infringement between joint owners will not lie because an individual cannot infringe his own copyright.”).

Plaintiffs claim to have established as a matter of law that they alone jointly own the photographs and that Gillespie is the sole and exclusive owner of the derivative materials. *See* Plaintiffs' Memorandum of Law for Summary Judgment (hereinafter “Pls. Mem.”) at 18; Plaintiffs' Reply Memorandum in Further Support of Their Motion for Summary Judgment (hereinafter “Pls. Rep. Mem.”) at 3, 6-7. The moving defendants, on the other hand, claim that genuine issues of material fact exist as to whether Miles can also be considered a joint author of the aforementioned works. *See* Defs. Opp. Mem. at 3-6. For the following reasons, plaintiffs' motion for summary judgment on the issue of joint authorship is denied.

1. Intent

For a “joint work” to exist, “it is not sufficient that the authors simply collaborated with each other,” *Kaplan v. Vincent*, 937 F.Supp. 307, 316 (S.D.N.Y.1996), or that they “intend their contributions to be merged into inseparable parts of a unitary whole,” *Childress v. Taylor*, 945 F.2d 500, 507 (2d Cir.1991). Rather, the joint authors must intend to regard themselves as joint authors. *See Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 753 (1989); *Thomson*, 147 F.3d at 199 (“The touchstone of the statutory definition [of ‘joint work’] ‘is the intention at the time the writing is done that the parts be absorbed or combined into an integrated unit.’”) (quoting H.R.Rep. No. 1476, 94th Cong. 120, 121 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5735); *Papa's-June Music, Inc. v. McLean*, 921 F.Supp. 1154, 1157 (S.D.N.Y.1996) (“The requisite intent to create a joint work exists when the putative joint authors intend to regard themselves as joint authors. It is not enough that they intend to merge their contributions into one unitary work.”) (citation omitted).

As the Court of Appeals for the Second Circuit explained in *Childress*, the collaborators must “entertain in their minds the concept of joint authorship.” 945

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[F.2d at 508](#). Where the parties do not fully intend to share equally the benefits of the copyright, they can better divide their interests through contract negotiations. *See id. at 509*. Thus, “[e]xamination of whether the putative co-authors ever shared an intent to be co-authors serves the valuable purpose of appropriately confining the bounds of joint authorship arising by operation of copyright law, while leaving those not in a true joint authorship relationship with an author free to bargain for an arrangement that will be recognized as a matter of both copyright and contract law.” *Id. at 508*.

*5 Plaintiffs seek summary judgment on the defendants' joint authorship defense, arguing that defendants, who bear the burden of proof at trial, ^{FN2} cannot establish that Miles considered himself a co-author at the time he allegedly contributed to the photographs, or that plaintiffs ever considered Miles a co-author. In support of their claim that the parties lacked the requisite intent, plaintiffs rely heavily on *Childress*, where the Second Circuit found no evidence that the plaintiff “ever contemplated, much less would have accepted,” crediting the play as co-authored by her and the defendant. [945 F.2d at 509](#). Therefore, the court concluded that “whatever thought of co-authorship might have existed in [the defendant's] mind ‘was emphatically not shared by the [plaintiff].” Plaintiffs contend that Gillespie selected the models, subject to Miles's approval, *see Gillespie Aff.* ¶¶ 27, 29; that Gillespie created the design and layout for the advertisement and promotional postcard on his computer, which he operated alone, *see id.* ¶¶ 5, 31; and that Gillespie and Chin made all the decisions regarding the photo shoot, including the selection of the studio, the type of cameras, film, and lighting to be used, the posing of the models, and the camera setting and angles to produce the final image. *See id.* ¶ 31; Chin Aff. ¶ 7. Quite to the contrary, Miles asserts that he selected the models, along with their clothing and their poses, as well as the lighting and the pictures to be used. *See Miles Aff.* ¶¶ 18-21. Miles also claims to have been “solely responsible” for the layout of the advertisement. *Id.* ¶ 23.

^{FN2}. Under the Copyright Act, a Certificate of Registration made within five years after a work is first published constitutes “*prima facie* evidence of the validity of the copyright and of the facts stated in the certificate.” [17 U.S.C. § 410\(c\)](#). Although “[t]he statutory

presumption is by no means irrebuttable,” it “does order the burden of proof.” *Langman Fabrics v. Graff Californiawear, Inc.*, [160 F.3d 106, 111 \(2d Cir.1998\)](#); *see also Hamil Am., Inc. v. G.F.I.*, [193 F.3d 92, 98 \(2d Cir.1999\)](#) (holding that “[t]he party challenging the validity of the copyright has the burden to prove the contrary”); *Carol Barnhart, Inc. v. Economy Cover Corp.*, [773 F.2d 411, 414 \(2d Cir.1985\)](#). Thus, once a party produces the copyright certificate, its opponent bears the burden of establishing the affirmative defense of joint authorship. *See Jerry Vogel Music Co. v. Forster Music Publisher*, [147 F.2d 614, 615 \(2d Cir.1945\)](#); *Design Options, Inc. v. Bellpointe, Inc.*, [940 F.Supp. 86, 89 \(S.D.N.Y.1996\)](#).

As noted above, plaintiffs possess Certificates of Registration in their names for the photographs and in Gillespie's name for the derivative works. Accordingly, plaintiffs have established a *prima facie* case of copyright ownership, and therefore defendants must rebut plaintiffs' *prima facie* case at trial.

Having considered the affidavits of Messrs. Gillespie, Chin, and Miles, the Court cannot resolve this contest of oaths without delving into the credibility of the various parties. The Second Circuit has warned that when the disposition of a case depends on the intent of the parties, a “trial court must be cautious about granting summary judgment.” *Gallo v. Prudential Residential Servs.*, [22 F.3d 1219, 1224 \(2d Cir.1994\)](#); *see also Gelb v. Board of Elections*, [224 F.3d 149, 157 \(2d Cir.2000\)](#) (“[S]ummary judgment is generally inappropriate where questions of intent and state of mind are implicated.”). Here, the alleged acts of defendants, if taken as true, are not inconsistent with a shared intent to treat Miles as a joint author. Although *Childress* held otherwise in the context of a play, ^{FN3} a reasonable trier of fact, drawing all inferences in favor of defendants, could conclude that plaintiffs considered Miles a joint author of the photographs and promotional materials and that Miles considered himself such a joint author. *See Roth v. D'Alessio, No. 96 C 2250, 1997 WL 124260*, at *7 (N.D.Ill. Mar. 13, 1997) (finding the existence of a genuine question of material fact regarding the respective amount of control each party had at a photo shoot, including the

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selection of models, products, and situations to be photographed). Thus, the parties' collective intent presents a genuine issue of material fact sufficient to preclude summary judgment.

FN3. The Court notes that while *Childress* stands for the proposition that “[a] playwright does not so easily acquire a co-author,” *Childress*, 945 F.2d at 509, the same is not necessarily true for photographers. See, e.g., *Marco v. Accent Publ'g Co.*, 969 F.2d 1547, 1552 n. 20 (3d Cir.1992); *Roth v. D'Allesio*, No. 96 C 2250, 1997 WL 124260, at *7 (N.D.Ill. Mar. 13, 1997); *Strauss v. Hearst Corp.*, 8 U.S.P.Q.2d 1832, 1836-38 (S.D.N.Y.1988).

2. Independently Copyrightable Contribution

*6 Plaintiffs further argue that defendants cannot establish joint authorship because they have failed to make the required showing that Miles's contributions were independently copyrightable. Surprisingly, there is little case law on the issue of joint authorship of photographs. The Second Circuit, however, requires “all joint authors to make copyrightable contributions, leaving those with non-copyrightable contributions to protect their rights through contract.” *Childress*, 945 F.2d at 507. Therefore, the Court must determine whether the record permits a trier of fact to find that Miles's contributions, as alleged, constitute an independently copyrightable work.

Persons other than the photographer can certainly have authorship rights in a photograph, based on their original contributions. While it only takes a single person to snap a picture, a professional photograph often requires the participation of many individuals. “Elements of originality in a photograph may include posing the subjects, lighting, angle, selection of film and camera, evoking the desired expression, and almost any other variant involved.” *Rogers v. Koons*, 960 F.2d 301, 307 (2d Cir.1992). Thus, a person need not hold the camera or push a button to be considered the author of a visual work, since one can exercise control over the content of a work without holding the camera. See *Lindsay v. The Wrecked and Abandoned Vessel R.M.S. Titanic*, No. 97 Civ. 9248, 1999 WL 816163, at *5 (S.D.N.Y. Oct. 13, 1999) (“All else being equal, where a plaintiff alleges that he exercised such a high degree of control over a film opera-

tion-including the type and amount of lighting used, the specific camera angles to be employed, and other detail-intensive artistic elements of a film-such that the final product duplicates his conceptions and visions of what the film should look like, the plaintiff may be said to be an ‘author’ within the meaning of the Copyright Act.”).

To bolster their claim that Miles's alleged contributions, even if true, would not be independently copyrightable, plaintiffs rely on *Medallic Art Co. v. Novus Marketing, Inc.*, No. 99 Civ. 502, 1999 WL 619579 at *1- *2 (S.D.N.Y. Aug. 16, 1999), and *Design Options v. Bellepointe, Inc.*, 940 F.Supp. 86, 90 (S.D.N.Y.1996), where this Court granted summary judgment against defendants claiming joint authorship.^{FN4} These decisions, however, are easily distinguishable from the facts of this case.

FN4. Plaintiffs, in their reply brief, incorrectly cite *Maurizio v. Goldsmith*, 84 F.Supp.2d 455 (S.D.N.Y.2000), for the proposition that summary judgment was granted to a party claiming sole authorship. See Pls. Rep. Mem. at 7 n. 11. A close reading of the opinion, however, reveals that on the issue of joint authorship, the Court actually denied summary judgment. See *id.* at 464-67 (finding a genuine issue of material fact existed regarding defendant's intent and the copyrightability of her contributions to a novel).

In *Medallic*, the Court denied the defendant's claim of joint authorship where the defendant had entered into a contract with the plaintiff to manufacture various custom minted products, including three-dimensional reproductions of Treasury notes and coins. See <http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=999&FindType=Y&SerialNum=1999193814> *Medallic*, 1999 WL 619579, at *1. The Court found that the defendant had told the plaintiff which Treasury notes and coins it wanted the plaintiff to replicate and sold those products through its catalogues. See *id.* When the defendant declined to renew the contract, the plaintiff sought an injunction to prevent the defendant from employing other manufacturers to produce duplicates of its designs. See *id.* After noting that while the defendant “had final approval [over] the finished product, it made only minimal suggestions concerning the de-

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sign,” the Court concluded that the defendant’s “contributions to the design were minimal and not independently copyrightable.” *Id.* Accordingly, the Court granted the plaintiff’s request for an injunction prohibiting the defendant from having the plaintiff’s designs copied by other manufacturers. *Seeid.* at *2.

*7 Similarly, in *Design Options* the defendant claimed to have suggested ideas “for themes, trims or colors” of sweater designs. 940 F.Supp. at 90. However, the defendant conceded that its input did not “rise to the requisite level to qualify as a joint author.” *Id.* Consequently, the Court did not hesitate to conclude that the defendant’s ideas were not, as a matter of law, independently copyrightable. *Seeid.*

Without a doubt, Miles’s alleged contributions to the photographs and promotional materials, if true, were comparatively more significant than those of the defendants in *Medallic* and *Design Options*. Moreover, Miles’s contributions went beyond mere ideas, which, under the Copyright Act, the Constitution, and common law, are not copyrightable.^{FN5} Assuming Miles did indeed pose the models and select the lighting and camera angles, such actions would constitute “expression” of an idea, as distinguished from the idea itself. *See Reid*, 490 U.S. at 737 (“As a general rule, the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection.”); *New York Times Co. v. United States*, 403 U.S. 713, 726, n.* (1971) (Brennan, J., concurring) (“[T]he copyright laws, of course, protect only the form of expression and not the ideas expressed.”); *Mazer v. Stein*, 347 U.S. 201, 217 (1954) (“Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea-not the idea itself.”).

^{FN5}. *See* 17 U.S.C. § 102(b) (“In no case does copyright protection for an original work of authorship extend to any idea....”); *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 556 (1985) (“No author may copyright his ideas....”); *International News Serv. v. Associated Press*, 248 U.S. 215, 254 (1918) (Brandeis, J., dissenting) (“At common law, as under the copyright acts, the element in intellectual productions which secures such protection, is not the knowledge, truths, ideas, or emotions which the compo-

sition expresses, but the form or sequence in which they are expressed....”).

Since the trier of fact could conclude that Miles exercised sufficient control over the photo shoot to support defendants’ claim of joint authorship, the Court cannot say that, as a matter of law, Miles’s contributions were not sufficient to make him a joint author of the photographs and promotional materials. As such, plaintiffs’ motion for summary judgment on defendants’ joint authorship defense must be denied.

B. The Validity of the Copyright Registration

Second, plaintiffs claim that if Miles was not a joint author of the registered works, the defense of fraud on the Copyright Office must be rejected as a matter of law. *See* Pls. Rep. Mem. at 7 & n.12. However, the validity of the plaintiffs’ Certificates of Registration is dependent upon resolution of the issue of joint authorship. Therefore, Miles’s success or lack thereof on his claim of joint authorship will necessarily determine the validity of plaintiffs’ copyright registrations. Since questions of fact exist as to whether Miles can be considered a co-author of the works, summary judgment is inappropriate as to this issue as well. *See Roth*, 1997 WL 124260, at *7.

C. Licensing Agreement

Finally, plaintiffs contend that defendants cannot demonstrate the existence of a license authorizing their use of the copyrighted photographs and materials. The Copyright Act prescribes a comprehensive scheme for the licensing of copyrighted works. *See, e.g.*, 17 U.S.C. §§ 101, 201(d), 204, 205 (defining “copyright owner” and “transfer of copyright ownership”). There are three possible types of licenses: (1) written; (2) oral; and (3) implied. *See Graham v. James*, 144 F.3d 229, 235 (2d Cir.1998). While a written license may be either exclusive or non-exclusive, an oral license and an implied license can only be non-exclusive. *See* 17 U.S.C. § 204(a) (“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.”). Here, it is undisputed that no written licensing agreement exists between the parties.

Not Reported in F.Supp.2d, 2001 WL 180147 (S.D.N.Y.), 2001 Copr.L.Dec. P 28,235, 58 U.S.P.Q.2d 1134 (Cite as: 2001 WL 180147 (S.D.N.Y.))

*8 As with joint authorship, the existence of a license would provide defendants with an affirmative defense to copyright infringement. See *Bourne v. Walt Disney Co.*, 68 F.3d 621, 631 (2d Cir.1995), cert.denied 517 U.S. 1240 (1996). Because plaintiffs' registered copyrights for the photographs and materials at issue, defendants bear the burden of proving the existence of a licensing agreement that permitted their use of the copyrighted materials. See *Tasini v. New York Times*, 206 F.3d 161, 171 (2d Cir.2000) ("Where the dispute turns on whether there is a license at all, the burden is on the alleged infringer to prove the existence of the license."); *Bourne*, 68 F.3d at 631 ("Since, in such cases, evidence of a license is readily available to the alleged licensee, it is sensible to place upon that party the burden of coming forward with evidence of a license.").

Plaintiffs seek summary judgment on this affirmative defense, asserting that defendants' claim is wholly deficient. However, defendants assert that "[i]n exchange for ... compensation, payment of expenses, and use of a computer, the parties had agreed that AST and Miles could use the photographs taken at the shoot as well as the promotional and advertising materials." Defs. Opp. Mem. at 9. This claim is supported by the affidavit of Patrick Ying, which recounts an arrangement between the parties regarding Gillespie's charge for time, expenses, and other assistance to defendants. See Ying Aff. ¶¶ 3, 6-8. Although neither Miles nor Ying specifically alleges that Gillespie intended to license copyright privileges to AST and Miles, see Pls. Rep. Mem. at 8-9, the obvious implication of Ying's description of the parties' arrangement was that Miles and/or AST would be permitted to use the products of the photo shoot in exchange for reimbursing Gillespie's expenses. See Ying Aff. ¶ 3. Plaintiffs have offered no reason why defendants would invite them to take the photographs at issue other than their anticipation that they would have the right to use to photographs in subsequent promotional campaigns. Since the Court must resolve ambiguities and draw all inferences in favor of the non-moving party in a motion for summary judgment, see *Anderson*, 477 U.S. at 255, the Court will read the affidavits to set forth allegations of intent to enter into a licensing agreement.

Perhaps the best evidence of the existence of an oral agreement is plaintiff Gillespie's prior admission, in his Third Amended Complaint, that "[his] submission

of his work to defendants constituted a contract in which they agreed not to exploit the work or use it as the basis for or in connection with any commercial enterprise without obtaining plaintiff's permission and compensating plaintiff therefore." Third Am. Compl. ¶ 19.^{FN6} Gillespie further alleged that he and the defendants "reached an agreement that [he] would be compensated for defendants' use of his work." *Id.* ¶ 20. Based on defendants' failure to obtain his permission and to compensate him, plaintiff charged that defendants breached this implied-in-fact contract. See *id.* ¶ 21.

^{FN6} Although defendants did not include plaintiffs' Third Amended Complaint in their moving papers, they did include plaintiffs' original Proposed Fourth Amended Complaint, which had been prepared by prior counsel and which, for all relevant purposes, is identical to the Third Amended Complaint. See *Savio Aff.*, ¶¶ 18-20.

*9 Although upon retaining new counsel, plaintiffs endeavored to purge their complaint of these allegations, see Fourth Am. Compl. ¶¶ 5-16, "[t]he amendment of a pleading does not make it any the less an admission of the party." *Andrews v. Metro-North Commuter R.R. Co.*, 882 F.2d 705, 707 (2d Cir.1989); see also *Kunglig Jarnvagsstyrelsen v. Dexter & Carpenter, Inc.*, 32 F.2d 195, 198 (2d Cir.1929) ("A pleading prepared by an attorney is an admission by one presumptively authorized to speak for his principal.... When a pleading is amended or withdrawn, the superseded portion ceases to be a conclusive judicial admission; but it still remains as a statement once seriously made by an authorized agent, and as such it is competent evidence of the facts stated, though controvertible, like any other extra-judicial admission made by a party or his agent."). Moreover, the Second Circuit has held that "it is a substantial abuse of discretion not to allow the jury to be aware that a complaint has been amended, and to examine the prior complaint." *United States v. GAF Corp.*, 928 F.2d 1253, 1260 (2d Cir.1991) (citing *Andrews*, 882 F.2d at 707). As the Second Circuit concluded in *United States v. McKeon*, "[a] party ... cannot advance one version of the facts in its pleadings, conclude that its interests would be better served by a different version, and amend its pleadings to incorporate that version, safe in the belief that the trier of fact will never learn of the change in stories." 738 F.2d 26, 31 (2d

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[Cir.1984](#)). Therefore, plaintiff Gillespie's previous admission of the existence of an oral agreement, notwithstanding his assertion of a breach, certainly confirms defendants' contention that reasonable minds could differ as to this important issue of fact.

Finally, plaintiffs argue that even if Miles acquired non-exclusive rights to the copyrighted works, such rights could not have passed to AST because non-exclusive rights are non-transferrable. *See* Pls. Rep. Mem. at 9 & n. 18 (citing [Harris v. Emus Records Corp.](#), 734 F.2d 1329, 1333 (9th Cir.1984); [Ilyin v. Avon Publications, Inc.](#), 144 F.Supp. 368, 372 (S.D.N.Y.1956)). Plaintiffs' argument, however, would ignore the pre-existing relationship between Miles and AST. Miles had been hired by AST to design and oversee production of the Sir Benni Miles line of clothing. *See* Miles Aff. ¶ 2. Because his responsibilities included advertisement and marketing, including graphics and logo design, *seeid.* ¶ 3, it would be fair to assume that Miles had the authority to act as AST's agent in procuring copyrights in promotional materials and designs. Consequently, a reasonable finder of fact could conclude that Miles entered into the oral agreement on behalf of AST, and therefore AST acquired its license directly from Gillespie and not via any sort of transfer.

For all these reasons, plaintiffs' motion for summary judgment on the issue of an oral license must be denied. “[S]ummary judgment is an improper procedural vehicle for determining the parties' intent not to be bound in the absence of written agreements—even in cases where evidence strongly suggests the contrary.” [Consarc Corp. v. Marine Midland Bank, N.A.](#), 996 F.2d 568, 576 (2d Cir.1993) (citing [Babdo Sales, Inc. v. Miller-Wohl Co.](#), 440 F.2d 962, 965 (2d Cir.1971)); *see also* [Media Sport & Arts v. Kinney Shoe Corp.](#), No. 95 Civ. 3901, 1999 WL 946354, at *3 (S.D.N.Y. Oct. 19, 1999) (Leisure, J.) (“[i]ssues of contract formation involve ‘quintessential common law jury question[s]’”) (quoting [Kidder, Peabody & Co. v. IAG Int'l Acceptance Group](#), 14 F.Supp.2d 391, 404 (S.D.N.Y.1998)) (alteration in original). These issues are better left to the trier of fact, who will be able to judge the credibility of the witnesses and the plausibility of their recollections.

CONCLUSION

*10 For the foregoing reasons, plaintiffs' motion for

summary judgment is HEREBY DENIED in its entirety. As the moving defendants have withdrawn all of their arguments, the moving defendants' motion for summary judgement is also HEREBY DENIED with prejudice. The parties are ordered to appear before this Court at the United States Courthouse, 500 Pearl Street, Courtroom 18B, New York, New York, on March 15, 2001, at 2:30 p.m. for a pre-trial conference.

SO ORDERED.

S.D.N.Y.,2001.

Gillespie v. AST Sportswear, Inc.

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(Cite as: **2008 WL 2302662 (D.Colo.)**)

HOnly the Westlaw citation is currently available.

United States District Court,
D. Colorado.
HOME DESIGN SERVICES, INC., Plaintiff,
v.
B & B CUSTOM HOMES, LLC, David Bagg, Denise
Bagg, Bennett Construction, Inc., Larry W. Bennett,
John J. Bennett, Fred Bishop Enterprises, Inc., Fred W.
Bishop III, Infinity Builders, Inc. f/k/a Castle Homes,
Inc., William J. Fitzgerald, Merritt Construction, Inc.,
Merritt L. Sixbey, Jr., Susan Marie Sixbey, Paul
Riensch, Serra Construction, Inc., Gary L. Poush,
Sandra L. Dorr, Defendants.
Civil Action No. 06-cv-00249-WYD-GJR.

May 30, 2008.

[Anthony M. Lawhon](#), [Jon D. Parrish](#), Parrish, Lawhon
& Yarnell, P.A., Naples, FL, for Plaintiff.

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Connor Lee Cantrell, [Michael Allen Paul](#), Husted
Law Firm, P.C., The Denver, CO, [Anthony Rocco
Clapp](#), Harris, Karstaedt, Jamison & Powers, PC,
Englewood, CO, for Defendants.

**ORDER GRANTING IN PART AND DENYING
IN PART DEFENDANTS' MOTION FOR RE-
CONSIDERATION REGARDING THE DIS-
COVERABILITY OF PLAINTIFF'S LITIGA-
TION REVENUE (Docket # 708)**

GUDRUN J. RICE, United States Magistrate Judge.

*1 THIS MATTER comes before the Court on De-
fendants' Motion (docket # 708) for Reconsideration
Regarding the Discoverability of Plaintiff's Litigation
Revenue. The matter is fully briefed and oral argu-
ment was heard in Grand Junction, Colorado on May 5,
2008.

For the reasons set forth below the Defendants' Mo-
tion is **granted** in part and **denied** in part.

BACKGROUND

Plaintiff Home Design Services (HDS) has sued nu-
merous Defendants for alleged copyright infringement.
Plaintiff alleges that Defendants, home builders and
their owners, engaged in copyright infringement by
building homes copied from HDS copyrighted plans.

Defendants previously sought to discover the amount
of revenue Plaintiff generates from litigation-related
activities. Defendants requested a ruling regarding the
discoverability of information related to revenue
Plaintiff receives from litigation in other copyright
cases throughout the country, including amounts re-
ceived from any verdicts, judgments, court decrees,
and settlement agreements ("litigation revenue"). See
Defendants' Reply Brief (docket # 450 at 3-4) in
Support of Discoverability of Plaintiff's Actual
Damages.

This Court denied Defendants' request for inquiry into
Plaintiff's litigation revenue, by Order dated July 19,
2007 (docket # 542), by restricting discovery of
Plaintiff's actual damages solely to the plans at issue in
Plaintiff's Amended Complaint (docket # 353) from
2003 forward. By the terms of the July 19, 2007 Order,
Defendants were granted leave to petition the court for
reconsideration of the Order, upon additional evidence
or argument presented by Defendants supporting fur-
ther inquiry into Plaintiff's actual damages substan-
tiation.

Defendants have now, by this Motion (docket # 708)
before the Court, moved for reconsideration regarding
the discoverability of Plaintiff's litigation revenue.
Defendants request that this Court reconsider the July
19, 2007 Order and grant Defendants leave to inquire
at depositions into Plaintiff's litigation revenue from
1996 forward, require Plaintiff to produce documents,
including settlement agreements, sufficient to identify
with certainty Plaintiff's gross litigation-related
revenue from 1996 forward, and require Plaintiff to
produce documents sufficient to identify with cer-
tainty how much of Plaintiff's gross income is litiga-
tion related.

In support of this Motion and their request for recon-

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sideration of the discoverability of Plaintiff's litigation revenue, the Defendants bring to the Court's attention these additional arguments: 1) evidence of Plaintiff's litigation revenue bears on Defendants' affirmative defense of copyright misuse; 2) evidence of Plaintiff's litigation revenue bears on the credibility of Plaintiff's potential witnesses.

STANDARD OF LAW

[Federal Rule of Civil Procedure 26\(b\)\(1\)](#) allows parties to:

obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense, including the existence, description, nature, custody, condition, and location of any documents or other tangible things and the identity and location of persons who know of any discoverable matter. For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence.

*2 "Relevancy is to be construed more broadly during discovery than at trial." [Centurion Industries, Inc. v. Warren Steurer and Associates](#), 665 F.2d 323, 326 (10th Cir.1981) "Relevancy is broadly construed at the discovery state of litigation and a request for discovery should be considered relevant if there is any possibility that the information sought may be relevant to the subject matter of the action." [Flour Mills of America, Inc. v. D.F. Pace](#), 75 F.R.D. 676, 680 (10th Cir.1977)

DEFENDANTS' AFFIRMATIVE DEFENSE OF COPYRIGHT MISUSE

Defendants have raised the affirmative defense of copyright misuse. The copyright misuse doctrine is an equitable defense to a copyright infringement action that forbids the use of a copyright to secure an exclusive right or limited monopoly not granted by the copyright office and is contrary to public policy to grant. See [185 ALR Fed 123](#), citing [Alcatel USA, Inc. v. DGI Technologies, Inc.](#), 166 F.3d 772, 792 (5th Cir.1999).

Plaintiff has the burden of establishing that it holds a

copyright and that Defendants infringed the copyright by advertising, designing or constructing and participating in the construction of a residence which was copied largely or was an exact duplicate of a design or plan of Plaintiff.

Defendants bear the burden of establishing their affirmative defense of copyright misuse. Defendants must prove that Plaintiff "illegally extended its monopoly beyond the scope of the copyright or violated the public policies underlying the copyright laws." [In re Indep. Serv. Orgs. Antitrust Litig.](#), 85 F.Supp.2d 1130, 1175 (D.Kan.2000).

Defendants argue that Plaintiff is unlawfully extending its purported monopoly by seeking protection over non-protectable elements of its plan, such as common layouts and floor plans. Defendants contend that Plaintiff's plans contain largely generic, unoriginal elements and thus are not afforded protection under copyright law. Defendants further assert that Plaintiff is violating public policy underlying the copyright laws by using its purported copyright as a mechanism to generate more revenue through litigation than through the actual plan sales.

Defendants apparently find it difficult to comprehend that a particular arrangement of three bedrooms, living room, kitchen and bath, for example, is subject to the protection of the federal copyright laws. But protection for architectural plans and designs is afforded by the federal copyright laws.

Copyright protection is currently embodied in the Copyright Act of 1976. It was not until 1990 that the Copyright Act was amended to extend its protection to the overall shape of three-dimensional works of architecture. Amended section 101 defines "architectural work" as "the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form and elements in the design, but does not include individual standard features." The amended statute now makes it an infringement to construct a building that copies from another's protectable two-or three-dimensional design.

*3 The Honorable Wiley D. Daniel, in the case cited by the Defendants, [Medias & Co., Inc. v. Ty, Inc.](#), 106 F.Supp.2d 1132 (D.Colo.2000), discussed the difficulties inherent in separating the ideas, and basic

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utilitarian functions, which are not protectable, from the particular expression of the work, which is protectable and copyrightable.

The *Medias v. Ty* case, *supra*, dealt with an alleged infringement of a Beanie Baby plush toy, specifically a yellow duck with a bright orange bill and bright orange feet named “Quackers.” Judge Daniel found that the idea of a plush duck is not protectable. Neither is the fact that the duck has a bill, bright yellow plush fabric for the head and body, two webbed feet and two eyes. However, the particular way in which Ty expressed the idea of a duck was protected. *Medias v. Ty, supra*, at 1137

Judge Daniel found that the particularized expression of the Beanie Baby “Quackers” included “the unique shape of Quackers' head and body, combined with bright yellow plush fabric for the head and body, combined with a bright orange, less plush flared bill, combined with the same bright orange, less plush webbed feet attached directly to the body without intervening legs, combined with two round black shiny eyes made of hard plastic, placed on the front of the face rather than the sides of the head; combined with eyebrows made out of black thread; combined with no wings,....” *Id.* at 1137 Judge Daniel found that the particularized expression of “Quackers” was protected by the Copyright Act.

The Plaintiff seeks to establish that the particular way in which rooms, their sizes, their orientation, their arrangement have been placed in a plan or design is copyrightable and protectable. The Plaintiff seeks to establish that the particular expression contained in the HDS plans, made up of elements common to all plans, such as doors and windows and kitchens and dining rooms and living rooms and bedrooms and bathrooms, is original, copyrightable and protectable.

The fact that the Plaintiff has been successful in protecting copyrighted designs and has generated revenue through litigation would not appear to pertain to the elements of the defense of copyright misuse. The fact that the Plaintiff has litigated claims under the federal Copyright Act and has been successful in that litigation fact does not indicate to this Court that the Plaintiff has engaged in copyright misuse. The Defendants must establish that the Plaintiff extended its purported monopoly beyond the scope of the copyright. I find that litigation revenue of the Plaintiff in other cases

around the country does not tend to show that the Plaintiff illegally extended its monopoly beyond the scope of the copyright laws. I find that the information sought by Defendants with regard to Plaintiff's litigation revenue from around the country is unlikely to lead to the discovery of admissible evidence regarding the Defendants' affirmative defense of copyright misuse, based on an extension of a purported monopoly.

*4 Nor does the fact that the Plaintiff has recovered more in litigation revenue than the cost of the plans tend to show that the Plaintiff has violated the public policy underlying copyright law.

Section 504(b) of the Copyright Act protects the copyright holder by allowing the copy right holder to recover not only the actual damages but also any of the infringer's profits. As the Plaintiff states in its brief, damages are awarded to compensate the copyright owner for losses from the infringement and profits are awarded to prevent the infringer from unfairly benefitting from a wrongful act. Section 504(b) is punitive in nature because it is designed to deter copyright infringement. *See H.R.Rep. No. 94-1476*, 94th Cong., 2nd Sess., 161 (1976), U.S.Code Cong. & Admin. News 1976, pp. 5659, 5777 as cited in Plaintiff's Response (docket # 746 at page 3 of 6). Damages are awarded to compensate the copyright owner for losses from the infringement, and profits are awarded to prevent the infringer from unfairly benefitting from a wrongful act.

Even if revenue from litigation exceeds the cost of the plans, there is nothing in this fact that would tend to show that the Plaintiff has acted in violation of the public policies underlying copyright law. I find that litigation revenue is not reasonably calculated to lead to the discovery of information tending to show that the Plaintiff has violated the public policies underlying copyright law. I consequently find that the information sought by the Defendants with regard to the Plaintiff's litigation revenue from cases brought around the country is unlikely to lead to the discovery of admissible evidence in support of the Defendants' copyright misuse defense based on violation of public policy.

LITIGATION REVENUE AS BEARING ON CREDIBILITY OF PLAINTIFF'S WITNESSES

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(Cite as: **2008 WL 2302662 (D.Colo.)**)

Defendants also assert that information with regard to Plaintiff's litigation revenue would tend to show that Plaintiff's potential witnesses have a pecuniary interest in the outcome of this litigation. Here I find the Defendants' arguments more persuasive. Defendants should be allowed to make limited inquiry into Plaintiff's litigation revenue to discover how much is at stake for the witnesses. I find that for this limited purpose litigation revenue is discoverable pursuant to [Fed.R.Civ.P. 26\(b\)](#) in so far as the witnesses have received litigation bonuses or litigation related income. The Plaintiff has stated that it is willing to produce, by way of supplemental interrogatory answer, the aggregate amount received through litigation. (Plaintiff's Response-docket # 746 at page 4 of 6) The Plaintiff shall do so. The Defendants shall be allowed to inquire of Plaintiff's potential witnesses, including Plaintiff's CEO, experts, and fact witnesses, with regard to their pecuniary interest in litigation revenues. The Defendants may seek to discover exactly how much is at stake for the witnesses by reviewing how much money the witnesses have made as a consequence of litigation revenue in the past. The litigation revenue is discoverable as being reasonably calculated to lead to impeachment evidence. The Defendants are not, however, entitled to the discovery of particular verdicts, judgments, court decrees and settlement agreements. Nor shall the Defendants be permitted to obtain the documents, including settlement agreements, which would identify Plaintiff's gross litigation related revenue from 1996 forward.

CONCLUSION

*5 I find and conclude that discovery of information related to revenue Plaintiff has received from litigation in other copyright cases throughout the country is not reasonably calculated to lead to the discovery of admissible evidence with regard to the Defendants' affirmative defense of copyright misuse. I find and conclude that discovery of limited litigation related revenue is reasonably calculated to lead to the discovery of admissible evidence with regard to the bias of the Plaintiff's potential witnesses and with regard to potential impeachment of Plaintiff's witnesses.

ORDER

It is hereby ORDERED that Plaintiff will produce, by way of a supplemental interrogatory answer, the aggregate amount of money received through litigation

from 1996 forward.

It is hereby ORDERED that the Defendants' Motion for Reconsideration regarding the discoverability of Plaintiff's litigation revenue is GRANTED to the extent that the Defendants shall be permitted to inquire at depositions with regard to the pecuniary interest of Plaintiff's potential witnesses in the outcome of the litigation, by reviewing how much money Plaintiff has made in litigation revenue in the past.

It is ORDERED that the Defendants' Motion is DENIED with regard to the request to require Plaintiff to produce documents, including settlement agreements, sufficient to identify Plaintiff's gross litigation-related revenue, in support of the Defendants' affirmative defense of copyright misuse.

D.Colo.,2008.
Home Design Services, Inc. v. B & B Custom Homes, LLC
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(D.Colo.)

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(Cite as: **2009 WL 764526 (C.D.Cal.)**)

H Only the Westlaw citation is currently available.

United States District Court,
C.D. California.
LOGICLINK, INC., Plaintiff(s),
v.
KEYLINK SERVICE SOLUTIONS, INC.; Robert
Basulto; and Does 1 to 10, Defendant(s).
No. SA CV07-1056-DOC(MLGx).

March 19, 2009.

West KeySummary

Patents 291  **237**

[291 Patents](#)

[291XII](#) Infringement

[291XII\(A\)](#) What Constitutes Infringement

[291k233](#) Patents for Machines or Manu-
factures

[291k237](#) k. Substitution of Equivalents.

[Most Cited Cases](#)

Patents 291  **238**

[291 Patents](#)

[291XII](#) Infringement

[291XII\(A\)](#) What Constitutes Infringement

[291k233](#) Patents for Machines or Manu-
factures

[291k238](#) k. Omission of Parts. [Most](#)

[Cited Cases](#)

Patent holder did not prove that alleged infringer's product infringed the claims of its patent either directly, indirectly, or under the doctrine of equivalents. The accused product lacked a central server, as defined in the patent, and did not collect user configuration information and email data nor saved changed configuration data. The accused product did not "communicate user identification information from the remote site computer to a central server," as required by one of the patent's elements. Furthermore, credit card numbers were not processed by the accused product's server, but instead were sent by the remote computer to a third party credit card processor.

[Peter F. Musielski](#), Peter F. Musielski Law Offices,

Santa Ana, CA, for Plaintiff.

[Joseph G. Wick, III](#), The Wick Law Office, Los Angeles, CA, for Defendants.

ORDER FINDINGS OF FACT AND CONCLUSIONS OF LAW

[DAVID O. CARTER](#), District Judge.

*1 Pursuant to Plaintiff Logiclink, Inc.'s ("Plaintiff") waiver of jury trial, the Court has conducted a five day bench trial. Defendants Keylink Service Solutions, Inc. and Robert Basulto ("Defendants") filed their trial briefs and supporting declarations on December 31, 2008. Plaintiff filed a trial brief and supporting exhibits on October 21, 2008. Both parties filed supplemental briefing, including Revised Proposed Findings of Fact and Conclusions of Law on January 12, 2009 and February 2, 2009. Having considered the submissions by the parties and all admissible evidence, the Court hereby enters its Findings of Fact and Conclusions of Law in conformity with [Federal Rule of Civil Procedure 52](#).

FINDINGS OF FACT

1. Logiclink, Inc. ("Logiclink") is the assignee of [U.S. Patent No. 5,987,498 \(the "498 Patent"\)](#), which was filed on February 16, 1996 in the United States Patent and Trademark Office (the "USPTO").
2. The '[498 Patent](#)' was issued on November 16, 1999.
3. The '[498 Patent](#)' was assigned to Logiclink on May 22, 2002 per a bankruptcy court order and recorded in the USPTO.
4. The '[498 Patent](#)' expired on November 17, 2003 and was reinstated on August 10, 2005.
5. Kim Kao is the president of Logiclink, a Michigan corporation qualified to do business in California.
6. Defendant Robert Basulto ("Basulto") worked for Logiclink from August 27, 2003 to July 5, 2004.

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(Cite as: **2009 WL 764526 (C.D.Cal.)**)

7. Keylink Solutions, Inc. ("Keylink") was formed during Basulto's employment with Logiclink.
8. Keylink was incorporated on November 18, 2004.
9. Basulto conducted business with Keylink as early as July 7, 2003 and is presently the president, secretary and director of Keylink.
10. Logiclink replaces, sells and services automated business service centers, kiosk workstations and WiFi services to the hospitality industry.
11. Keylink replaces, sells and services automated business service centers, kiosk workstations and WiFi services to the hospitality industry.
12. While Basulto was working as Vice President of Logiclink he began to form Keylink in order to sell and maintain automated business centers.
13. Basulto, while employed at Logiclink, actively competed with Logiclink and diverted potential customers of Logiclink for his own personal gain.
14. Basulto diverted the following hotels in Nevada for his own personal gain: Mandalay Bay, New York New York, Treasure Island, Stratosphere, Flamingo HGVC, Flamingo Hotel, Hilton HGVC No. 2, Monte Carlo, Golden Nugget, MGM Signature, Belagio, Harrah's Laughlin, Riviera.
15. Basulto signed a Logiclink non-disclosure and confidentiality agreement on August 29, 2003. (Trial Exhibit 4).
16. Basulto signed a Logiclink dba Business Automated Center @ Hotel Non-Disclosure and Confidentiality exhibit. (Trial Exhibit 5).
17. Basulto agreed not to interact or interface with any competitors or competitive companies without the express, written pre-approval of Logiclink's upper management.
- *2 18. Basulto did not receive any written pre-approval from the upper management of Logiclink to interface or interact with any competitors or competitive companies.
19. For calendar year 2005, Keylink's gross sales from its operation of automated business centers, workstations and WiFi services was \$107,739.00.
20. For calendar year 2006, Keylink's gross sales from its operation of automated business centers, workstations and WiFi services was \$1,002,826.00.
21. For calendar year 2007, Keylink's gross sales from its operation of automated business centers, workstations and WiFi services was \$1,685,070.00.
22. From January through July of 2008, Keylink's gross sales from its operation of automated business centers, workstations and WiFi services was \$1,297,958.67.
23. As an employee of Logiclink, Basulto received wages, commissions and expense reimbursements from Logiclink totaling \$72,272.67.
24. On August 31, 2005, Basulto and Keylink were given notice from Logiclink that they were interfering with Logiclink's ['498 Patent](#).
25. Keylink did not receive authorization from Logiclink to use the elements of the ['498 Patent](#) Claims.
26. Evidence has not been presented proving that Keylink is in direct control of Kiosklogix's Netstop Software.
27. The ['498 Patent](#) Claims 1, 18, 19 and 28 are independent claims.
28. The ['498 Patent](#) Claim 1 consists of the following elements:
 - 1.A Provides a method of communication between a remote site computer and a content provider using a central server and displaying advertising at the remote site, comprising of the steps of:
 - 1.B Initiates a log on session at the remote site computer;
 - 1.C Collects identification information from a user at

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the remote site computer;

1.D Communicates the user identification information from the remote site computer to the central server;

1.E Retrieves user configuration information from the central server to the remote site computer, based on the user identification information;

1.F The central server communicates with said content provider based on the user identification information and the user configuration information;

1.G Terminates the log-on session;

1.H Displays the session charge information and said advertising on said remote site computer;

29. Keylink does not practice elements 1.D, 1.E or 1.F of Claim 1 (as explained below).

30. The '[498 Patent](#)' Claim 18 consists of the following elements:

18.A Provides a method of operating a server computer of a network, to which are connected a plurality of computer terminals. The method comprises the steps of:

18.B Receiving a first set of user information at the control computer from a first user at one of the computer terminals sufficient to identify a user account to be debited for billing purposes;

18.C Verifying the first set of user information for authorization and beginning a network log-on session by the first user;

***3** 18.D Retrieving a second set of user information from a storage device in communication with the server computer, the second set of user information including user account information from the first user;

18.E Establishing communication between the first user computer and one or more network service providers in accordance with information selected from a group including the first set of user information and the second set of user information;

18.F Providing user account information to each respective network service provider;

18.G Receiving data from the network service providers for presentation to the first user;

18.H Finding the network log-on session;

18.I Transmitting user configuration information from the first user computer to the server computer and displaying session charge information at the first computer.

31. Keylink does not practice elements 18.D, 18.E, 18.F, 18.G or 18.I of Claim 18 (as explained below).

32. The '[498 Patent](#)' Claim 19 consists of the following elements:

19.A Provides a method of operating a server computer of a network, to which are connected a plurality of computer terminals, the method comprising the steps of:

19.B Receiving a set of user information as to the control computer from a first user at one of the computer terminals sufficient to identify a user account to be debited for billing purposes;

19.C Verifying the first set of user information for authorization and beginning a network log-on session by the first user;

19.D Retrieving a second set of user information from a storage device in communication with the server computer, the second set of user information including user account information for the first user;

19.E Establishing communication between the first user computer and one or more network service providers in accordance with information selected from a group including the first set of user information and the second set of user information;

19.F Providing user account information to each respective network service provider;

19.G Receiving data from network service providers

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- for presentation to the first user;
- 19.H Ending the network log-on session;
- 19.I Transmitting user configuration information from the first user computer to the server computer and displaying session charge information at the first computer;
- 19.J Providing communication between said remote site computer and a plurality of content providers using the central server;
- 19.K The step of retrieving user information includes retrieving user information pertaining to each of said content providers;
- 19.L The steps of the central server communicating, comprises the central server communicating with each of said content providers based on user configuration information pertaining to the respective content provider.
33. Keylink does not practice elements 19.D, 19.E, 19.F, 19.I, 19.J and 19.L of Claim 19 (as explained below).
34. The '[498 Patent](#)' Claim 28 is comprised of the following elements:
- *4 28.A An apparatus providing communication between a remote site computer and a content provider using a central server. The apparatus comprises of:
- 28.B A means for communicating user identification information from the remote site computer to the central server and beginning a log-on session;
- 28.C A means for retrieving user configuration information from the central server, based on the user identification information;
- 28.D A means for the central server to communicate with said content provider based on the user identification information and the user configuration information;
- 28.E A means for terminating the log-on session;

28.F A means for displaying the advertising and session charge information on said remote computer.

35. Keylink does not practice elements 28.B, 28.C, or 28.D of Claim 28 (as explained below).

36. Keylink does not infringe the '[498 Patent](#)' under the Doctrine of Equivalents.

CONCLUSIONS OF LAW

Patent Infringement

37. The patent owner bears the burden of proving infringement by a preponderance of the evidence. See e.g., [LNP Eng'g Plastics, Inc. v. Miller Waste Mills, Inc.](#), 275 F.3d 1347, 1356 (Fed.Cir.2001). In assessing whether a patent is being infringed, only independent claims need to be examined since claims that depend on one another can only be infringed if there is infringement of the claim upon which they depend. In this case, the parties have stipulated that the independent claims in the '[498 Patent](#)' are claim numbers 1, 18, 19 and 28.

38. An infringement analysis is a two-step process. First, the scope of the claim must be determined. This step, often referred to as "claim interpretation", is an issue of law exclusively within the province of the courts. E.g., [Markman v. Westview Instruments, Inc.](#), 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996); [Cybor Corp. v. FAS Techs., Inc.](#), 138 F.3d 1448, 1453 (Fed.Cir.1998) (en banc). In the second step, the properly construed claims are compared to the accused product or process to determine whether those claims "read on" the accused subject matter. Said differently, the court determines as a matter of fact whether all of the claim limitations are present in the accused device, either literally or by a substantial equivalent. See e.g., [Johnson Worldwide Assocs., Inc. v. Zebco Corp.](#), 175 F.3d 985, 988 (Fed.Cir.1999). In order for a court to find infringement, "the plaintiff must show the presence of every element or its substantial equivalent in the accused device." [Wolverine World Wide v. Nike, Inc.](#), 38 F.3d 1192, 1199 (Fed.Cir.1994) (citing [Perkin-Elmer Corp. v. Westinghouse Elec. Corp.](#), 822 F.2d 1528, 1532-33 (Fed.Cir.1987)).

Claim Construction

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39. In making its claim construction findings, where “the ordinary meaning of claim language ... is readily apparent even to lay judges,” a court looks at the language of the claims themselves and thereby attempts to discern their ordinary and customary meaning. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-14 (Fed.Cir.2005). There is a “heavy presumption in favor of the ordinary meaning of claim language.” *Johnson Worldwide*, 175 F.3d at 989. However, if no ordinary and customary meaning is readily apparent, the court must determine the more technical meaning in a field of art. *Id.* In so doing, the court looks to “those sources available to the public that show what a person of skill in the art would have understood disputed claim language to mean.” *Phillips*, 415 F.3d at 1314 (citing *Innova/Pure Water, Inc. v. Safari Water Filtration Systems, Inc.*, 381 F.3d 1111, 1116 (Fed.Cir.2004)). Those sources include, in order of importance, “the words of the claims themselves, the remainder of the specification, the prosecution history, and extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art.” *Id.* (citing *Gemstar-TV Guide Int'l, Inc. v. Int'l Trade Comm'n*, 383 F.3d 1352, 1364 (Fed.Cir.2004)); see also *Abbott Labs. v. Andrx Pharms., Inc.*, 473 F.3d 1196, 1209 (Fed.Cir.2007); *MBO Labs., Inc. v. Becton, Dickson & Co.*, 474 F.3d 1323, 1329 (Fed.Cir.2007).

*5 40. After considering the plain meanings of the claim terms of the '498 Patent-as understood by persons of ordinary skill in the art and as portrayed by the intrinsic evidence in this case-this Court makes the following conclusions of law with regard to the interpretation of four key terms in the '498 Patent:

41. The term “**central server**”-as used in the '498 Patent-means “a device through which the remote terminal accesses the internet and stores userID/password and configuration information for future use by the user.”

42. The term “**user configuration information**”-as used in the '498 Patent-means “information associated with the user such as the user's account information, email information, screen formats, or screen colors.”

43. The term “**user identification information**”-as used in the '498 Patent-means “a user's given name or a system user name specially coined by the user that is used to identify the user in each transaction.”

44. The phrase “**the central server communicating with said content provider**”-as used in the '498 Patent-means “the central server providing information to or receiving information from said content provider.”

Infringement

45. Literal infringement occurs when “all of the elements of the claim, as correctly construed, [are] present in the accused device.” See, e.g., *TechSearch, LLC v. Intel Corp.*, 286 F.3d 1360, 1371 (Fed.Cir.2002) (citing *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 532 (Fed.Cir.1996)). A patent is infringed if any of its claims are infringed because “each claim is a separate statement of a patented invention.” *Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1220 (Fed.Cir.1995).

46. In some cases, infringement may also be shown by indirect infringement under 35 U.S.C. § 271(c) (“Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, *knowing the same to be especially made or especially adapted for use in an infringement of such patent*, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.”) (emphasis supplied).

47. Under the Doctrine of Equivalents, a product or process that does not literally infringe upon the express terms of a patent may, nonetheless, be found to infringe if there is equivalence between the elements of the accused product or process and the claimed elements of the patented invention. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 21, 117 S.Ct. 1040, 137 L.Ed.2d 146 (1997). Equivalents may be demonstrated by showing that an element in the accused process performs “substantially the same function in substantially the same way to obtain the same result” as the claimed invention. *Graver Tank & Mfg. Co. v.*

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Linde Air Products Co., 339 U.S. 605, 608, 70 S.Ct. 854, 94 L.Ed. 1097 (1950) (citing *Sanitary Refrigerator Co. v. Winters*, 280 U.S. 30, 42, 50 S.Ct. 9, 74 L.Ed. 147 (1929)).

*6 48. Plaintiff has not proven that the Keylink product infringes claims 1, 18, 19 and 28 of the '498 patent either directly, indirectly or under the doctrine of equivalents. This is largely due to the fact that the accused product lacks a central server, as defined in the '498 Patent, and does not collect user configuration information and email data nor save changed configuration data.

49. For the foregoing reasons, Keylink does not practice elements 1.D, 1.E or 1.F of Claim 1. 1.D: Keylink does not “communicat[e] user identification information from the remote site computer to a central server,” as required by element 1.D. Keylink's business method does not involve communicating user identification information outside of credit card numbers. Further, said credit card numbers are not processed by either Keylink's server or Kiosklogix's server. Instead, the relevant credit card numbers are sent by the remote computer to a third party credit card processor.

1.E: Keylink's business method does not involve “retrieving user configuration information from the central server to the remote site computer, based on the user identification information,” as required under element 1.E. In the Keylink product, user configuration information is not stored at the central server (thus preventing it from being communicated from the central server to the remote site computer). Further, user identification information is not passed to the central server.

50. For the foregoing reasons, Keylink does not practice elements 18.D, 18.E, 18.F, 18.G or 18.I of Claim 18:

18.D: Keylink does not “retriev[e] a second set of user information from a storage device in communication with the server computer, the second set of user information including user account information for the first server,” as required by element 18.D. As noted previously, under Keylink's business method, only credit card information is sent and this information is sent by a remote computer directly to a third party credit card processor. That is, even a

user's credit card information is not sent to a Keylink central server. Further, there is no storage device in communication with the server computer, and no user information is stored beyond the duration of the user's session. When the user logs out, all changes made by the user are removed from the computer (*i.e.*, Keylink uses the “virtualization” technique).

18.E & 18.F: Keylink does not “establish[] communication between the first user computer and one or more network service providers in accordance with information selected from a group including the first set of user information and the second set of user information,” as required by element 18.E. Further, Keylink does not “provid[e] user account information to each respective network service provider” as required by element 18.F. The Keylink product does not send any user information to any network service providers. Therefore, the Keylink product need not-and does not-obtain, store or communicate user information. Keylink's own account information is used to purchase internet access, and no Keylink relationship exists with other service or content providers. 18.G: Keylink does not “receiv[e] data from the network service providers for presentation to the first user,” as required by element 18.G. Keylink only provides an internet browser and internet access by renting computer time to the user. The service provider, using its website, handles any and all user identification and configuration information.

*7 18.I: Keylink does not “transmit[] user configuration information from the first user computer to the server computer and display[] session charge information at the first computer,” as required by element 18.I. In the Keylink product, configuration information is transmitted directly to the content provider without passing through the Keylink server.

51. For the foregoing reasons, Keylink does not practice elements 19.D, 19.E, 19.F, 19.I, 19.J or 19.L of Claim 19:

19.D: Keylink does not “retriev[e] a second set of user information from a storage device in communication with the server computer, the second set of user information including user account information for the first user,” as required by element 19.D. Keylink

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does not utilize a storage device in communication with a server computer nor store user information beyond the duration of a user's session. The Keylink server only rents computer time to users. Further, when a Keylink computer rental session ends, all changes made by the user are removed from the remote computer and the charge account number is removed from the server computer.

19.E & 19.F: Keylink does not “establish[] communication between the first user computer and one or more network service providers in accordance with information selected from a group including the first set of user information and the second set of user information,” as required by element 19.E. Keylink also does not “provid[e] user account information to each respective network service provider,” as required by element 19.F. Keylink does not send user information to network service providers. The remote computers are connected to the internet through a service billed to Keylink rather than the user.

19.I, 19.J & 19.L: Keylink does not “transmit[] user configuration information from the first user computer to the server computer and display [] session charge information at the first computer,” as required by element 19.I. Keylink also does not “provide[] communication between [a] remote site computer and a plurality of content providers using [a] central server,” as required by element 19.J. Neither does Keylink have a central server that “communicat[es] with various content providers based on user identification information pertaining to the respective content provider,” as required by element 19.L. Again, Keylink does not store user configuration information at the central server. Instead, each content provider has their own server and is directly connected to the user at a remote computer through the internet rather than a Keylink central server. Further, the remote computers are connected directly to the internet through an internet service provider billed to Keylink.

52. For the foregoing reasons, Keylink does not practice elements 28.B, 28.C, or 28.D of Claim 28:

28.B, 28.C & 28.D. Keylink does not provide a “means for communicating user identification information from the remote site computer to the central server and beginning a log-on session,” as

required by element 28.B. Neither does Keylink provide a means for “retrieving user configuration information from the central server, based on the user identification information,” as required by element 28.C. Finally, Keylink does not provide a means for “the central server to communicate with [a] content provider based on the user identification information and the user configuration information,” as required by element 28.D. As stated, Keylink's server does not receive user identification information. Further, Keylink's server only processes billing information, not user configuration information. Finally, Keylink's server does not communicate with content providers; all communication with content providers is from the remote computer itself.

*8 53. Because Keylink has not infringed the ['498 Patent](#), the Court need not make a determination as to whether (1) the ['498 Patent](#) is invalid due to, *inter alia*, obviousness or anticipation, or (2) whether the ['498 Patent](#) is unenforceable due to misuse. Further, Defendants cannot be found to have induced infringement of the ['498 Patent](#), contributorily infringed the ['498 Patent](#), or acted in reckless disregard for Logiclink's ['498 Patent](#) rights.

Unfair Competition

54. During trial, Plaintiff colorably presented arguments for unfair competition under two separate theories: breach of fiduciary duty and trade secret misappropriation.

55. Logiclink's breach of fiduciary duty claim falls within the four-year statute of limitations period provided under [Cal.C.C.P. § 343](#), which governs obligations not covered by any other provisions of California codes.

56. Several principles of agency law are relevant to Plaintiff's unfair competition claim under the theories of breach of fiduciary duty:

“An agent has a fiduciary duty to act loyally for the principal's benefit in all matters connected with the agency relationship.” [Restatement \(Third\) of Agency § 8.01 \(2006\)](#). “Although an agent's interests are often concurrent with those of the principal, the general fiduciary principle requires that the agent subordinate the agent's interests to those of the

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principal and place the principal's interests first as to matters connected with the agency relationship.” [Restatement \(Third\) of Agency § 8.01](#) (Comment b) (2006).

“An agent has a duty, within the scope of the agency relationship, to act reasonably and to refrain from conduct that is likely to damage the principal's enterprise.” [Restatement \(Third\) of Agency § 8.10](#) (2006).

“An agent has a duty to use reasonable effort to provide the principal with facts that the agent knows, has reason to know, or should know when (1) subject to any manifestation by the principal, the agent knows or has reason to know that the principal would wish to have the facts or the facts are material to the agent's duties to the principal; and (2) the facts can be provided to the principal without violating a superior duty owed by the agent to another person.” [Restatement \(Third\) of Agency § 8.10](#) (2006).

57. Basulto breached his fiduciary duty to Logiclink during his employment at Logiclink.

58. Basulto took business opportunities for himself and Keylink, while he was employed by Logiclink, by suppressing customer complaints about Logiclink's system and endeavoring to obtain potential Logiclink customers for himself and Keylink. TT 1/8/09, 92:5-113:25; TT 1/14/09, Parker Vol.I, 77:3-79:24; TT 1/6/09, Beesley, 33:14-34:6; Trial Exhibits 5, 86 & 87.

59. Basulto competed with Logiclink during his employment at Logiclink by obtaining information on hotels that would otherwise contract with Logiclink and dissuading several hotels in the Las Vegas area from committing to a multi-year contract with Logiclink (in hopes of obtaining those hotels as Keylink customers). TT 1/14/09, Parker Vol.I, 10:4-14:2; Trial Exhibits 7, 10-15, 20-22 & 51-77.

*9 60. Basulto successfully diverted many potential and former Logiclink clients while employed by Logiclink. TT 1/8/09, 92:5-113:25; TT 1/14/09, Parker Vol.I, 77:3-79:24.

61. Basulto deceived Logiclink by not disclosing to Logiclink that several potential clients, such as the

Treasure Island Hotel, were dissatisfied with Logiclink's predecessor's system and, therefore, did not want to install Logiclink's kiosk systems. Basulto also gave Logiclink false assurances that potential clients such as Treasure Island were interested in signing a Logiclink contract when they were not. TT 1/14/09, Parker Vol.I, 77:3-79:24.

62. As part of his employment with Logiclink, Basulto signed a Non-Disclosure and Confidentiality Agreement that states in part: “The undersigned hereby agrees not [sic] interact or interface with any competitors or competitive companies without the expressed written pre-approval by the upper management of Logiclink.” Trial Exhibits 4-5.

63. Under Cal.Bus. & Prof.Code § [West's Ann.Cal.Bus. & Prof.Code § 16600 et seq.](#), contracts not to compete are void (subject to certain limited exceptions).

64. Regardless of whether the Non-Disclosure and Confidentiality Agreement signed by Basulto was void, Basulto is liable under general principles of agency law for breaching his fiduciary duty to Logiclink while in its employ.

65. When Basulto left Logiclink he took Logiclink's confidential customer list with him.

66. Logiclink has not proven that its confidential customer list was a trade secret.

67. Logiclink has also not proven that its business proposals or contracts were proprietary.

68. Plaintiff has not proven unfair competition under any theory other than breach of a fiduciary duty.

Unjust Enrichment

69. Unjust enrichment is an equitable principle that allows for the disgorgement of unjustly earned profits. See e.g., [McBride v. Boughton, 123 Cal.App.4th 379, 20 Cal.Rptr.3d 115 \(2004\)](#); [Paracor Financial, Inc. v. General Electric, 96 F.3d 1151, 1167 \(9th Cir.1996\)](#).

70. Damages may be awarded under the principle of unjust enrichment where there was a “receipt of a

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benefit and unjust retention of the benefit at the expense of another.” [Lectrodryer v. SeoulBank, 77 Cal.App.4th 723, 726, 91 Cal.Rptr.2d 881 \(2000\)](#).

71. Under [Restatement \(Second\) of Agency § 403](#), “If an agent receives anything as a result of his violation of a duty of loyalty to the principal, he is subject to a liability to deliver it, its value, or its proceeds, to the principal.” This rule applies where the agent makes a profit from competing with the principal. See [Restatement \(Second\) of Agency § 403](#) Comment a.

72. Basulto was unjustly enriched in the amount of \$72,272.67, consisting of wages, commissions and expense reimbursements from Logiclink while Basulto was actually working for his own personal benefit in an attempt to divert several hotels (*i.e.*, Treasure Island, Mandalay Bay, New York New York, Stratosphere, Flamingo HGVC, Flamingo Hotel, Hilton HGVC No. 2, Monte Carlo, Golden nugget, MGM Signature, Belagio, Harrah's Laughlin and Riveria)-as opposed to working for the benefit of Logiclink.

*10 73. Logiclink argues that it is also entitled to damages in the amount of \$1,989,000 for loss of business profits; \$5,293,000 for loss of future earnings over the next five years (discounted to their present value); and \$837,001 for loss of future royalties over the next five years. Logiclink has not proven that said losses may be directly attributed to Basulto's breach of his fiduciary duty to Logiclink during his employment at Logiclink. Any award of damages for such losses would be speculative as no evidence has been put forth proving that Keylink took business opportunities that would definitely have gone to Logiclink but for Basulto's breach of his fiduciary duties while employed at Logiclink. Speculative damages are not sustainable. See, *e.g.*, [Service Employees Intern. Union, Local 250 v. Colcord, 160 Cal.App.4th 362, 72 Cal.Rptr.3d 763 \(2008\)](#).

Lanham Acts Violations

74. Under [15 U.S.C. § 1051 et seq](#) (the “Lanham Act”) it is illegal to dilute or infringe trademarks.

75. Defendants have not proven that Logiclink diluted or infringed any trademarks held by Keylink or

Basulto.

Clayton and Sherman Acts Violations

76. It is illegal to restrict trade or commerce in violation of the Sherman Act ([15 U.S.C. § 1 et seq.](#)) or the Clayton Act of 1914 ([15 U.S.C. § 12 et seq.](#)). Both the Sherman Act and the Clayton Act require some contract or agreement between parties to lessen competition or create a monopoly. No evidence has been presented proving that Logiclink acted-either on its own or in collusion with others-to create a monopoly or to lessen competition.

77. Logiclink did not violate any anti-trust laws.

Interference With Contract, Interference With Prospective Economic Advantage, and Defamation in the Marketplace

78. In its February 2, 2009 briefing, Defendants themselves stated: “The facts set forth [] with respect to the letters that were sent to [potential customers of Keylink], as reported by Mr. Kao, constitute an attempted interference with existing contracts and prospective economic advantage. However, defendant did not prove any particular defamatory statement nor any measurable economic damage arising from those acts.” Keylink clearly failed to prove that Logiclink interfered with a prospective economic advantage, interfered with contracts or committed a civil wrong of trade defamation pursuant to the laws of the State of California, Nevada, and Common Law. Indeed, Defendants withdrew their defamation claim outright during their closing argument.

Laches Defense

79. The doctrine of laches is the “neglect or delay in bringing suit which causes prejudice to the adverse party.” See, *e.g.*, [A.C. Aukerman Co. v. R.L. Chaides Const. Co., 960 F.2d 1020, 22 U.S.P.Q.2d 1321, 1325 \(Fed.Cir.1992\)](#) (outlining the laches defense in the patent infringement context). In order to succeed on a laches defense in the patent infringement context, defendant must generally prove that (1) the plaintiff's delay in bringing suit was unreasonable and inexcusable and (2) because of the delay, the defendant suffered material prejudice. *Id.* However,

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“[i]n suits for unfair competition or infringement mere laches in the sense of delay to bring suit does not constitute a defense.” [Hall v. Holstrom](#), 106 Cal.App. 563, 571, 289 P. 668 (1930) (citing [Nolan Bros. Shoe Co. v. Nolan](#), 131 Cal. 271, 63 P. 480 (1901)).

*11 80. Defendants have not proven that Logiclink unreasonably or inexcusably delayed bringing the instant lawsuit or that Defendants have suffered a material prejudice as a result of the timing of the instant lawsuit.

Unclean Hands Defense

81. Unclean hands is an equitable defense which provides that a party seeking equitable relief from the Court must have acted equitably in the transaction giving rise to its claim. [Fladeboe v. American Isuzu Motors, Inc.](#), 150 Cal.App.4th 42, 56, 58 Cal.Rptr.3d 225 (2007) (citations omitted). “The doctrine of unclean hands requires unconscionable, bad faith, or inequitable conduct by the plaintiff in connection with the matter in controversy.” *Id.* (citations omitted) (emphasis added).

82. Defendants have not proven that Logiclink acted in bad faith, inequitably, or in an unconscionable manner, such that relief from Basulto for unjust enrichment would be inappropriate.

Rule 11 Sanctions

83. Defendants now request that the Court grant Rule 11 Sanctions against Plaintiff, without providing any separate noticed motion, as required by the U.S. Constitution's Due Process Clause and [Fed.R.Civ.P. 11\(c\)\(2\)](#) (“A motion for sanctions must be made separately from any other motion and must describe the specific conduct that allegedly violates [Rule 11\(b\)](#). The motion must be served under Rule 5, but it must not be filed or be presented to the court if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service or within another time the court sets.”).

84. The Court is unable to consider Defendants' request for [Rule 11](#) Sanctions before receiving a Noticed Motion for Sanctions.

DISPOSITION

85. If any of the foregoing Findings of Fact are also Conclusions of Law, they are incorporated in the above Conclusions of Law. If any of the foregoing Conclusions of Law are also Findings of Fact, they are incorporated in the above Findings of Fact.

86. Each Conclusion of Law is severable from each and every other Conclusion of Law.

87. Plaintiff has failed to meet its burden of proof against both Defendants on its claim of patent infringement.

88. Plaintiff has met its burden of proof against both Defendants on its claims of unfair competition and unjust enrichment.

89. Defendants have failed to meet their burden of proof on their defenses of laches and unclean hands.

90. Defendants' defenses pertaining to patent invalidity and unenforceability are moot.

91. Defendants have failed to meet their burden of proof on their counterclaims of interference with an existing contractual relationship, interference with prospective economic advantage, trade defamation, Lanham Act violations, Clayton Act violations and Sherman Act violations.

92. Plaintiff is awarded \$72,273.00 in unjust enrichment from Basulto.

93. All parties shall bear their own costs and attorneys' fees.

IT IS SO ORDERED.

C.D.Cal.,2009.
Logiclink, Inc. v. Keylink Service Solutions, Inc.
Not Reported in F.Supp.2d, 2009 WL 764526
(C.D.Cal.), 2009 Markman 764526

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Not Reported in Cal.Rptr.3d, 2007 WL 2949298 (Cal.App. 2 Dist.)

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Only the Westlaw citation is currently available.

California Rules of Court, rule 8.1115, restricts citation of unpublished opinions in California courts.

Court of Appeal, Second District, Division 2, California.

Kathy M. RISNER, Plaintiff and Appellant,

v.

FREID AND GOLDSMAN et al., Defendants and Appellants.

No. B188211.

(Los Angeles County Super. Ct. No. BS091693).

Oct. 11, 2007.

As Modified on Rehearing Nov. 13, 2007.

APPEAL from a judgment of the Superior Court of Los Angeles County. John Shook, Judge. Affirmed in part and reversed in part.

Altshuler & Spiro and [Bruce J. Altshuler](#) for Plaintiff and Appellant.

Haight Brown & Bonesteel, [Rita Gunasekaran](#), [William G. Baumgaertner](#), and [Jennifer K. Saunders](#) for Defendants and Appellants.

[CHAVEZ](#), J.

*1 Kathy M. Risner (Risner) appeals from a final judgment entered after a jury trial in favor of Freid and Goldsman, PLC, and Manley Freid (collectively F & G), in the amount of \$246,707.38. Risner also appeals a separate award of attorney fees and costs entered in favor of F & G in the amount of \$91,002.85. F & G cross-appealed from the attorney fee and cost award. We reverse the trial court's award of prejudgment interest but affirm the judgment in all other respects. We also affirm the attorney fee and cost award.

CONTENTIONS

Risner contends that: (1) the trial court erred in failing to interpret the contract between the parties as a matter of law, instead submitting issues of contract interpretation and breach to the jury; (2) F & G improperly withdrew from representing Risner in her divorce

action and therefore should not have been permitted to maintain this action for attorney fees against her; (3) the trial court erred in instructing the jury on both the written contract and common counts; (4) the trial court improperly refused Risner's jury instructions on its defense theories; and (5) the trial court erroneously awarded prejudgment interest after entry of the special verdict.

Risner also contests the attorney fee award. She argues that, if the judgment is reversed, the fee and cost award should be reversed. She also criticizes F & G's failure to provide a record of when their expert's fees were incurred. F & G cross-appealed from the attorney fee award, arguing that the trial court abused its discretion in awarding less than the entire amount of fees claimed.

FACTUAL BACKGROUND

1. The Retainer Agreement

Risner was involved in prolonged divorce proceedings beginning in 1998 and ending with the entry of a stipulated judgment on May 7, 2003. Risner's first divorce attorney, Arlene Colman-Schwimmer, withdrew from her role as counsel on or about May 22, 2000, when she retired from the practice of law. On the same day that she informed Risner of her impending retirement, Colman-Schwimmer arranged for Risner to meet with F & G. After a meeting, Risner agreed to retain F & G. Risner also agreed to provide a retainer of \$350,000, some of which was obtained as a result of a civil contempt order entered against Risner's former husband in the divorce action.

A retainer agreement dated May 23, 2000, was prepared by F & G and signed by Risner. The agreement explained that Risner had "the financial responsibility to discharge and pay for all fees and costs which become due this office." The agreement stated that Risner would be billed for work performed by the firm's attorneys at hourly rates, and set forth those rates. The agreement went on to explain that Risner was obligated to reimburse F & G for "all out-of-pocket costs and/or pay us our standard charges for items such as travel expenditures, parking, long

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distance telephone calls, photocopying, facsimile costs, messenger services, court fees, including but not limited to filing fees and reporter's fees, and the like that we incur in our representation of you." The agreement then specified: "Costs of suit are to be paid to our office on demand."

*2 In what Risner describes as the "key provision" regarding the "due date" for any unpaid fees and costs, the next paragraph states:

"All unpaid fees and costs shall be due and payable at the time of the entry of the Further Judgment or at the time a Marital Settlement Agreement is signed, or at the time our office ceases to render services to you, whichever event first occurs. If said unpaid fees and costs are not paid timely, as set forth in this paragraph, then interest shall begin accruing at the rate of ten percent per annum until paid in full."

2. Continuing Discovery and the Order to Show Cause for Spousal Support, Attorney Fees and Costs

According to Risner's testimony, at the time that she entered into the retainer agreement with F & G, Manley Freid told her that, "The only way to handle my case was to get it to the courthouse steps and that would only be on the trial date, and that was the only target ... and nothing else mattered because nothing else was going to end the case until it resolved on the courthouse steps." On August 22, 2000, shortly after he was retained, Mr. Freid informed the court that he would be ready for trial in about five months, or early 2001.

On October 24, 2001, F & G filed an order to show cause for spousal support and attorney fees and costs on behalf of Risner. F & G sought an order from the court requiring Risner's former husband to pay \$84,000 per month in pendente lite spousal support to appellant as well as not less than \$306,941 in attorney fees plus the actual costs of litigating the divorce. According to the testimony of Lynanne Zirafi, an attorney at F & G who was working on Risner's case at the time that the order to show cause was filed, the reasons for the filing were discussed in detail with Risner. Ms. Zirafi indicated that the spousal support Risner had received from her last order was nearly depleted. She also explained that "a large amount of attorney fees ... were due, and there were costs that

were necessary in order to continue to try to obtain the evidence that we needed to go to trial." Ms. Zirafi explained that due to the complexity of Risner's former husband's law practice, as well as his discovery tactics, it was extremely difficult to gather the necessary evidence. In addition, she explained, numerous experts needed to be paid, including a compensation expert, forensic accountants, and real estate appraisers.

Ms. Zirafi also testified that she had called the court prior to filing the order to show cause. The earliest hearing date available was in mid-January of 2002. Ms. Zirafi discussed with Risner the option of making the motion on an ex parte basis, but Risner concluded that it was unnecessary to file the motion ex parte.

3. F & G's Motion to be Relieved as Counsel

Ms. Zirafi testified that she and Mr. Freid informed Risner by phone that they needed a bare minimum of \$85,000 in order to conduct the discovery that was necessary for trial. Risner could not advance the funds necessary to conduct the discovery. F & G informed Risner that, as a result, F & G needed to file a motion to be relieved as counsel. Ms. Zirafi testified that Risner said she understood that if the court did not order her former husband to advance the necessary funds, F & G would be dismissed from the case. Risner responded that "she was concerned" but "she understood why we were doing what we were doing."

*3 On December 21, 2001, F & G filed a motion to be relieved as counsel, in which it moved for an order permitting it to be relieved as attorneys of record "in the event that [Risner's] companion Order to Show Cause for fees and costs is denied; and trial shall be continued to allow [her] to retain new counsel." In his attached declaration, Mr. Freid explained to the trial court that, "If the Court orders [Risner's former husband] to pay the fees and costs necessary to complete discovery and prepare for trial, our firm will continue to effectively represent [her]. However, if the Court does not order [Risner's former husband] to advance [her] costs, our firm has no choice but to request to be relieved as [Risner's] attorneys of record as our firm cannot advance the \$100,000 necessary to complete discovery and prepare for trial." The hearing date on the motion was set for the same date as the order to show cause.

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On January 15, 2002, the trial court denied the order to show cause for spousal support, vacated the March 2002 trial date, and granted the motion for fees and costs in part by ordering Risner's former husband to pay for several of the necessary depositions directly. The court also ordered \$75,000 in pendente lite attorney fees to be paid by Risner's former husband directly to F & G in four installments. The motion to withdraw was continued by the court until March 2002 and then again by stipulation to May 28, 2002.

At the May 28, 2002 hearing, Mr. Freid explained to the court that, while no additional documents regarding F & G's motion to withdraw had been filed, F & G's need for money to pay for the ongoing litigation remained critical. He stated: "My office cannot continue to finance this case. I don't have the money. I cannot afford to do it. I cannot afford to pay lawyers. I certainly cannot afford to pay costs that I cannot get back immediately or deferred." He then explained that his office had received \$60,000 of the \$75,000 that Risner's former husband was ordered to pay, but that the costs of the litigation continued to rise. Mr. Freid explained that he was owed approximately \$286,000 and stated, "I can't carry that kind of a bill.... Maybe there are other firms in town that can, but I can't. I can't continue to run up a bill in connection with the work that has to be done in this matter regarding discovery depositions, and et cetera, and not be paid." Mr. Freid asked the court for \$250,000 as payment to the firm plus \$219,000, which was the amount of an outstanding accountant's bill, plus an additional \$75,000 to pay for the accountants.

On June 7, 2002, the trial court issued an order denying Risner's request for additional spousal support and attorney fees and costs and granting F & G's motion to be relieved as counsel.

4. Risner Retains New Counsel and Settles the Divorce Action

According to F & G, Risner at no time objected to F & G's motion to withdraw. At the time of the trial date, Risner indicated that she had already spoken with a new law firm about taking on the case. F & G worked with the new law firm, which ultimately did substitute in as counsel. In a declaration filed with the trial court, Mr. Freid indicated that once F & G was relieved as counsel, all the time it had spent transitioning the case to Risner's new lawyers was performed at no charge to

Risner.

*4 Risner's divorce case settled on the eve of trial in 2003.

PROCEDURAL BACKGROUND

1. The Fee Arbitration

Mr. Freid wrote two letters to Risner requesting payment of his outstanding legal fees of \$246,592.81 upon conclusion of the divorce suit. When she did not respond, Mr. Freid gave her notice of her right to a fee arbitration.

Risner filed a petition for arbitration of the fee dispute, initially claiming a refund of about \$150,000, which she subsequently reduced to about \$43,000. The arbitrators ruled unanimously in F & G's favor, awarding it all of the attorney fees requested minus the arbitration filing fee.

2. The Lawsuit

Risner rejected the arbitration award and filed a petition for trial de novo and a claim for damages against F & G for breach of the fee agreement. F & G cross-complained against Risner, alleging causes of action for breach of contract, account stated, open book account, and quantum meruit. F & G sought \$246,592.81 in outstanding attorney fees plus interest at the legal rate from June 6, 2003, until paid.

Risner sought summary judgment/summary adjudication on F & G's claim based on the language of the May 23, 2000 fee agreement. The motion was denied, and Risner sought a writ, which was denied by this court on September 2, 2005.

The case proceeded to a jury trial solely on F & G's cross-complaint, except for Risner's request for attorney fees in the event she prevailed at trial. To avoid confusion, F & G was referred to as plaintiff and Risner was referred to as defendant throughout the trial.

3. The Jury Verdict

At the conclusion of the testimony, the trial court submitted to the jury a special verdict. The special

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verdict form asked the following questions:

“1. Did [F & G] and [Risner] enter into a contract? ...

“2. Did [F & G] do substantially all of the things the contract required [it] to do? ...

“If your answer to question No. 2 is ‘yes,’ then answer question No. 3.

“If you answer ‘no,’ stop here, answer no further questions, and have the presiding juror sign and date this form.

“3. At the time the motion to withdraw as attorneys of record was pending, was [Risner] in breach of her retainer agreement? ...

“If your answer to question No. 3 is ‘yes,’ then answer question No. 4.

“If you answered ‘no,’ stop here, answer no further questions, and have the presiding juror sign and date this form.

“4. [Was F & G] harmed by that failure? ...

“If your answer to question No. 4 is ‘yes,’ then answer question No. 5.

“If you answered ‘no,’ stop here, answer no further questions, and have the presiding juror sign and date this form.

“5. If you have answered ‘yes’ to all of the above questions, what amount of money do you find will compensate [F & G]?”

The jury unanimously answered “yes” to all of the above questions and found that F & G should be compensated in the amount of \$246,707.38. On November 14, 2005, the trial court entered judgment in the amount of \$246,707.38 plus interest at the rate of 10 percent per annum from the date of judgment until paid in full.

4. F & G's Ex Parte Application For Prejudgment Interest and Motion for Attorney Fees

*5 On November 23, 2005, F & G filed an ex parte application for an order correcting the judgment to include prejudgment interest. In its supporting memorandum of points and authorities, it argued that its cross-complaint specifically alleged damages in the principal amount plus interest from the dates the legal services were rendered. Citing [Civil Code section 3287](#), subdivision (a), F & G argued that an award of prejudgment interest was mandatory. Over Risner's objections, the trial court issued an order correcting the judgment to include prejudgment interest from June 7, 2002 to November 14, 2005, in the amount of \$84,758.64.

As the prevailing party, F & G made a motion to recover \$150,850.35 in attorney fees and costs pursuant to [Business and Professions Code section 6204](#), subdivision (d). In the alternative, F & G sought the attorney fees incurred after it made an offer to compromise under [Code of Civil Procedure section 998](#). Risner opposed the motion. Citing its discretionary power under [Business and Professions Code section 6204](#), subdivision (d), the trial court awarded F & G \$68,000 in attorney fees and \$23,002.85 in costs.^{FN1}

^{FN1}. The minute order entered on February 7, 2006, reflects that costs in the amount of \$20,002.85 were awarded. However, the final order signed by the court and entered on March 14, 2006, awarded costs in the amount of \$23,002.85. The reason for the \$3,000 difference is not clear.

Risner filed a timely appeal from the judgment entered against her and from the order awarding attorney fees and costs to F & G. F & G filed a timely cross-appeal seeking the full amount of attorney fees it had requested.

DISCUSSION

I. The Questions of “Due Date” and Any Purported Breach By F & G

Risner's first claim is that F & G breached its own retainer agreement by withdrawing from the case. In making this claim, Risner first argues that under the contract, the “due date” for any money owed by her was “the time of entry of the Further Judgment or at

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the time a Marital Settlement Agreement is signed, or at the time our office ceases to render services to you, whichever event occurs first.” Because the due date for Risner’s payment to F & G was not until final judgment or settlement, she argues, F & G’s withdrawal from her case was a breach of the agreement.

Risner contends that the question of when her payments were “due” should be determined as a matter of law by this court. She identifies three points during the trial court proceedings when she raised this issue: first, in her summary judgment/adjudication motion; second, as part of a motion in limine; and third, in a motion for nonsuit.^{FN2}

^{FN2}. Risner also raised the issue in connection with a jury instruction, which is discussed in section III.C. of this opinion.

We address each of these motions separately. For reasons set forth more fully below, we decline to disturb the summary judgment ruling and we conclude that the trial court did not err in denying the motion in limine or the motion for nonsuit.

A. Determination of These Issues on Summary Judgment

On May 18, 2005, Risner filed a motion for summary judgment/summary adjudication in the trial court which addressed the issues of “due date” under the contract and the purported breach by respondents. In her memorandum of points and authorities filed in support of the motion, Risner argued that, “Under the clear language of the Retainer Agreement, ‘all unpaid fees and costs’ were payable at the time of the Judgment or Marital Settlement Agreement.” She further argued that fee agreements should be strictly construed against an attorney, and that “[a]s such, the Court can only conclude that at the time of the Motion to Withdraw up to the time of the granting of F & G’s Motion, Risner did not breach any provision of the Retainer Agreement.” Risner continued, “the Court should determine that F & G breached the Retainer Agreement by the very act of withdrawing as attorney of record when the Retainer Agreement clearly specified that any unpaid fees were not due until the matter was adjudicated.” Risner’s motion was based in part on the court’s “inherent power to interpret the meaning of the contractual terms.”

*6 The trial court denied Risner’s motion for summary judgment/summary adjudication. At oral argument, the court stated its opinion that the questions of the “due date” under the contract, and whether F & G breached the agreement, were triable issues of fact for the jury.

Risner sought a writ on the denial of her summary judgment/adjudication motion. The writ was denied by this court on September 2, 2005.

Risner specifies that the summary judgment/adjudication motion is “not the subject of the Appeal.” Because Risner has specifically declined to address the summary judgment ruling in this appeal, we decline to disturb the trial court’s decision on the motion. The trial court found that the question of whether “the withdrawal by [F & G] as attorney of record ... constituted a breach of the written Retainer Agreement between the parties” could not be determined as a matter of law. In so ruling, the trial court rejected Risner’s claim that “[u]nder the clear language of the Retainer Agreement, ‘all unpaid fees and costs’ were payable at the time of the Judgment or Marital Settlement Agreement.” “As such, the Court can only conclude that at the time of the Motion to Withdraw ... Risner did not breach any provision of the Retainer Agreement.” We accept the trial court’s decision that material questions of fact prevented these issues from being determined as a matter of law and properly proceeded beyond the summary judgment stage.^{FN3}

^{FN3}. By footnote, Risner cites [Waller v. TJD, Inc. \(1993\) 12 Cal.App.4th 830, 16 Cal.Rptr.2d 38](#) for the proposition that the denial of a summary judgment motion is “harmless error.” The case is inapplicable. In *Waller*, the Court of Appeal affirmed a jury verdict in the plaintiff’s favor despite determining that the trial court’s denial of a summary judgment motion filed by the defendant was erroneous, on the grounds that such error was harmless. Here, in contrast, the Court of Appeal denied Risner’s challenge to the trial court’s denial of summary judgment. She has specified that the summary judgment/adjudication ruling is not the subject of this appeal, therefore we will not revisit the issues decided by that motion. ([Katelaris v. County of Orange \(2001\) 92](#)

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[Cal.App.4th 1211, 1216, fn. 4, 112](#)

[Cal.Rptr.2d 556](#) [issue not addressed in appellant's opening brief is waived].)

We further note that even if the summary judgment/adjudication motion were properly before us, we would affirm the trial court's ruling as to the questions of "due date" under the contract and F & G's purported breach. F & G specifically disputed Risner's contentions, set forth in her separate statement of undisputed facts, that: (1) F & G did not have the right to withdraw based on nonpayment of fees and costs; and (2) that Risner did not breach the agreement by being unable to pay her fees and costs. And, while F & G did not dispute Risner's proper recitation of the clause in the agreement stating that "[a]ll unpaid fees and costs shall be due and payable at the time of the entry of the Further Judgment or at the time a Marital Settlement Agreement is signed," F & G pointed out in opposition that, "It is also an undisputed fact in this case that the retainer agreement itself says that costs are due and payable on demand," and that "Risner agreed to pay all costs to [F & G] upon demand." Thus, the questions of when Risner's payments to F & G were "due" under the contract, and whether F & G's motion to withdraw was therefore improper, were heavily disputed.

The trial court properly received extrinsic evidence regarding the disputed contractual terms (see [Morey v. Vanucci \(1998\) 64 Cal.App.4th 904, 912, 75 Cal.Rptr.2d 573](#)) and determined that Risner had not carried her burden of showing that there was no triable issue of material fact as to her claims that no money was due under the fee agreement at the time F & G withdrew and that the withdrawal was therefore a breach of that agreement. ([Code Civ. Proc., § 437c](#), subd. (c).)

B. Determination of These Issues on Motion in Limine

*7 Prior to trial, Risner filed a motion in limine, raising what she describes as "the identical issue" as the one that was raised in her summary judgment/adjudication motion.^{FN4} She explains that she again "asked the Court to interpret the contract to indicate that none of [her] attorneys fees were due and payable at the time the Motion to Be Relieved as Counsel was filed (or at any other time while the Motion was pending)."

^{FN4} Risner's motion in limine was captioned: "Motion in Limine to Determine Breach of Contract on the Part of Freid & Goldsman on Whether or Not Any Unpaid Fees and Costs Were 'Due and Payable' at the Time of the Motion to Withdraw."

At the hearing on the motion in limine, F & G's counsel objected on the grounds that the motion revisited issues already decided in the summary judgment ruling. While the trial court overruled F & G's objection, it nevertheless denied the motion on the ground that "this is a triable issue for the jury to decide overall." The court explained that it could not rule on the issue of the due date or breach "without hearing evidence in the case." The court later added: "I don't think this is a proper motion in limine. This is not to restrict or affirm evidence. This is for affirmative relief. For me, this is a triable issue for the trier of fact."

The trial court's ruling on a motion in limine is reviewed for abuse of discretion. ([Piedra v. Dugan \(2004\) 123 Cal.App.4th 1483, 1493, 21 Cal.Rptr.3d 36](#).) Under that standard, we will not overturn the court's ruling unless we find it to be "arbitrary, capricious, or patently absurd." ([In re Ryan N. \(2001\) 92 Cal.App.4th 1359, 1385, 112 Cal.Rptr.2d 620](#).)

We find that no such abuse of discretion occurred. Preliminarily, we agree with the trial court's statement that a motion in limine was not a proper tool to ask the court to interpret the contract and determine breach. Motions in limine are designed to deal with evidence. "The usual purpose of motions *in limine* is to preclude the presentation of evidence deemed inadmissible and prejudicial to the moving party. A typical order *in limine* excludes the challenged evidence and directs counsel, parties, and witnesses not to refer to the excluded matters during trial." [Citation.] ([Kelly v. New West Federal Savings \(1996\) 49 Cal.App.4th 659, 669-670, 56 Cal.Rptr.2d 803](#).) "To have the sufficiency of the pleading or the existence of triable issues of material fact decided in the guise of a motion in limine is a perversion of the process." ([R & B Auto Center, Inc. v. Farmers Group, Inc. \(2006\) 140 Cal.App.4th 327, 371, 44 Cal.Rptr.3d 426](#) (conc. opn. of Rylaarsdam, J.).)

We further find that the trial court's decision that ap-

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pellant's motion in limine presented issues which should be considered by the jury was not an abuse of its discretion. In ruling on Risner's summary judgment/adjudication motion, the trial court had previously evaluated the conflicting extrinsic evidence regarding the due date under the agreement and the question of whether F & G was in breach of the agreement, and determined that these contested issues should be decided by a jury. The law supports a jury's interpretation of contractual terms where the interpretation of those terms turns on an assessment of conflicting evidence extrinsic to the language of the written agreement. (See, e.g., [Morey v. Vanucci, supra](#), 64 Cal.App.4th at p. 914, 75 Cal.Rptr.2d 573 [where the question of the interpretation of the term "affiliated entities" turned on an assessment of conflicting evidence extrinsic to the language of the written agreement, the trial court did not err in submitting that question to the jury].) Risner challenged the trial court's ruling on the summary judgment motion by filing a writ with this court, which was rejected. Therefore, the court's determination that these issues were fact questions for the jury was not properly revisited by motion in limine. ([Conway v. Bughouse, Inc.](#) (1980) 105 Cal.App.3d 194, 202-203, 164 Cal.Rptr. 585 [Code Civ. Proc. § 437c does not permit a trial judge to review issues already determined in summary judgment proceedings].) For these reasons, we decline to disturb the trial court's ruling on Risner's motion in limine.

C. Determination of These Issues on Motion for Nonsuit

*8 At the close of F & G's evidence, Risner made a motion for nonsuit on the ground that she was not in breach of the retainer agreement at the time that F & G withdrew from her divorce case because payment was not yet due under the agreement. F & G again objected that "this is taken from [Risner's] motion for summary judgment." While the trial court did not directly respond to F & G's objection, it did state again, "I think this would be something that you can argue to the jury panel." Citing the conflicting evidence on the points raised by Risner, as well as the expert testimony presented by F & G, the court denied Risner's motion for nonsuit.

"A motion for nonsuit allows a defendant to test the sufficiency of the plaintiff's evidence before presenting his or her case. Because a successful nonsuit mo-

tion precludes submission of plaintiff's case to the jury, courts grant motions for nonsuit only under very limited circumstances. [Citation.]" ([Carson v. Facilities Development Co.](#) (1984) 36 Cal.3d 830, 838, 206 Cal.Rptr. 136, 686 P.2d 656.) Risner would have been entitled to a nonsuit only if the trial court determined that, "as a matter of law, the evidence presented by [F & G was] insufficient to permit a jury to find in [its] favor." ([Nally v. Grace Community Church](#) (1988) 47 Cal.3d 278, 291, 253 Cal.Rptr. 97, 763 P.2d 948.) In reviewing the trial court's decision on a motion for nonsuit, we are "guided by the same rule requiring evaluation of the evidence in the light most favorable to the plaintiff." ([Carson v. Facilities Development Co.](#), at p. 839, 206 Cal.Rptr. 136, 686 P.2d 656.)

We find that the trial court did not err in denying Risner's motion for nonsuit. F & G, who was considered the plaintiff for the purposes of the trial, had presented testimony from Risner, from several members of F & G, including Mr. Freid, and from an expert witness, Judge Stephen Lachs (retired), in support of its position that Risner had failed to pay money owed to F & G at the time that it withdrew from representing her. Indeed, Risner herself had testified that she understood that it was her responsibility to pay fees and costs, that she had received periodic bills from F & G for payments incurred in connection with the dissolution, and that, in the time period before October 2001, she had paid those bills on demand. This evidence was sufficient to suggest that F & G was correct in its claim that Risner breached the fee agreement. The trial court did not err in denying Risner's motion for nonsuit and allowing F & G's case to be evaluated by the jury.

D. The Jury Verdict

F & G's claim for breach of contract was submitted to the jury pursuant to a special verdict form. Risner does not appeal any issues related to the special verdict form, therefore we do not address it. As part of the special verdict, the jury determined that F & G did "substantially all of the things the contract required [it] to do." This finding was a rejection of Risner's theory that F & G breached the agreement.

In her opening brief, Risner specifies that she is not making an attempt "to try to overcome the usual presumptions on factual issues." Because she does not argue that substantial evidence does not support the verdict, we refrain from analyzing that question.

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II. F & G Was Not Precluded From Filing This Action for Attorney Fees

*9 Risner's "Issue # 2" asks "Whether an attorney who withdraws from a civil action for reasons that are not valid or compelling under state bar rules may maintain a later action against the client for unpaid fees?" For the reasons set forth below, we find that F & G was not precluded from bringing this action against Risner for attorney fees.

First, the jury verdict renders moot any claim on the part of Risner that F & G's reasons for withdrawal were "not valid or compelling." The jury determined that F & G did substantially all of the things the contract required it to do. The jury further determined that, at the time of F & G's withdrawal, Risner was in breach of the retainer agreement. Under [rule 3-700\(C\)\(f\) of the Rules of Professional Conduct](#), an attorney may request permission to withdraw if a client "breaches an agreement or obligation to the member as to expenses or fees." Thus, the jury determined that F & G's reason for withdrawal was valid under the state bar rules. Risner has not challenged that factual finding.

Risner points to a line of cases holding that, in contingency fee cases, attorneys who withdraw are precluded from seeking attorney fees if the withdrawal is not mandatory or premised on ethical considerations. (See [Estate of Falco \(1987\) 188 Cal.App.3d 1004, 233 Cal.Rptr. 807 \(Falco\)](#) and [Rus, Miliband & Smith v. Conkle & Olesen \(2003\) 113 Cal.App.4th 656, 676, 6 Cal.Rptr.3d 612 \(Rus\)](#) (the *Falco-Rus* doctrine).) Risner argues that these cases should be expanded beyond contingency agreements and applied to fee agreements such as the one at issue here.^{FN5} Should we decide to expand this line of cases to encompass the fee arrangement between Risner and F & G, Risner argues that F & G's lawsuit should not be allowed because its reason for withdrawal was permissive, not mandatory, as required under *Falco*.^{FN6}

^{FN5} We note that this issue was also raised before the trial court as part of Risner's summary judgment/adjudication motion. The trial court found *Falco* and *Rus* to be "inapposite because they involve contingency fee agreements." As set forth above, Risner does not contest this ruling because she has

specified that the summary judgment/adjudication motion is "not the subject of the Appeal." However, Risner raised these cases again in seeking a jury instruction based on language taken from *Falco*. The record of the trial court proceedings concerning the jury instructions shows that the trial court again addressed this case law without objection that it was precluded from doing so by the ruling on summary judgment/adjudication. Because Risner indicates that she is appealing from the ruling connected with the jury instruction, we will address the merits of this legal argument.

[FN6.Rules of Professional Conduct, rule 3-700\(B\)](#) describes the scenarios under which an attorney's withdrawal would be mandatory. Those situations include knowledge that the client is bringing the action for the purpose of harassing or maliciously injuring a person, knowledge that the representation will violate the professional rules, or a mental or physical condition rendering it unreasonably difficult to carry out the employment.

We decline to expand the *Falco-Rus* doctrine to apply to hourly contracts such as the one at issue. In [Rus, supra, 113 Cal.App.4th at page 676, 6 Cal.Rptr.3d 612](#), the court explained why the doctrine is particularly applicable in contingency fee cases. The court first made it clear that the contingency attorney agrees to take on, and bear the costs of, the many "headaches of litigation." Thus, "[i]t is a very tough row which a contingency fee attorney originally agrees to hoe." (*Ibid.*) The court explained that, "To allow an attorney under a contingency fee agreement to withdraw without compulsion and still seek fees from any future recovery is to shift the time, effort, and risk of obtaining the recovery ... from the attorney, who originally agreed to bear those particular costs in the first place, to the client." (*Ibid.*) The court noted that to allow an attorney working under a contingency fee agreement to withdraw and then later seek fees would create "perverse incentives." "The first attorney to represent a client would have reason to do as little as possible and then jump on the hint of first client noncooperation to maximize recovery with a minimum of hassle." (*Ibid.*, at fn. 11.)

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*10 These policy considerations do not apply in a situation where, as here, the client has agreed to bear the costs of the litigation on an hourly or on-demand basis. Risner has cited no case law suggesting that the doctrine should be expanded to encompass hourly contracts. In addition, the jury in this case found that Risner had breached her fee agreement with F & G. Such a breach on the part of a client is a valid reason for an attorney to make a motion to withdraw under the professional rules. For these reasons, we decline to expand the *Falco-Rus* doctrine to encompass the situation before us, and we find that this action for unpaid attorney fees was permissible.

III. Issues Regarding Jury Instructions

Risner next contests several rulings of the trial court regarding jury instructions. First, she contends that the trial court erred in instructing the jury on both the written contract and common counts, specifically account stated, open book account, and quantum meruit. She also contests the trial court's decision to refuse several of her jury instructions on her defense theories. We address these contentions separately below.

A. Standard of Review

In reviewing the trial court's decisions on jury instructions, we are guided by the principle that "there is no rule of automatic reversal or 'inherent' prejudice applicable to any category of civil instructional error, whether of commission or omission. A judgment may not be reversed for instructional error in a civil case 'unless, after an examination of the entire cause, including the evidence, the court shall be of the opinion that the error complained of has resulted in a miscarriage of justice.' [Citation.]" (*Soule v. General Motors Corp.* (1994) 8 Cal.4th 548, 580, 34 Cal.Rptr.2d 607, 882 P.2d 298.)

Thus, in reviewing Risner's claims of instructional error, we look not only to determine whether the trial court committed error but whether such error was prejudicial to Risner.

B. Instruction on Both Written Contract and Common Counts

At trial, Risner objected to F & G's proposed jury

instructions relating to the common counts alleged in F & G's affirmative pleading: account stated, open book account, and quantum meruit. Citing *Hedging Concepts, Inc. v. First Alliance Mortgage Co.* (1996) 41 Cal.App.4th 1410, 49 Cal.Rptr.2d 191 (*Hedging*), Risner reasoned that a party cannot sue on both an express contract and an implied contract, where each contract is alleged to have the same object. She believed that, in response to her objections, the trial court indicated that the contested instructions had been withdrawn. However, the court then proceeded to read the common count instructions to the jury. Risner objected immediately after the instructions were read. In response, the court suggested that Risner may have misunderstood the court's ruling. The court then indicated that Risner could make her argument regarding the common counts in "final summation."

Hedging, supra, 41 Cal.App.4th at page 1410, 49 Cal.Rptr.2d 191 does not preclude the trial court's instructions on common counts in this matter. In *Hedging*, the trial court had interpreted a business contract between the plaintiff and defendant to require a certain precondition to plaintiff's right to payment under the contract. The trial court further found that such precondition had not been satisfied. Nevertheless, the trial court declared the contract rescinded and awarded a quantum meruit recovery to plaintiff. The Court of Appeal affirmed the trial court's construction of the contract, the finding that plaintiff had not performed, and the finding that defendant had not breached. However, it reversed the award of quantum meruit damages to the plaintiff, reasoning that, "When parties have an actual contract covering a subject, a court cannot-not even under the guise of equity jurisprudence-substitute the court's own concepts of fairness regarding that subject in place of the parties' own contract." (*Id.* at p. 1420, 49 Cal.Rptr.2d 191, fn. omitted.)

*11 Thus, in *Hedging*, the trial court "made a factual finding that the parties had formed an actual, not an implied, contract." (*Hedging, supra*, 41 Cal.App.4th at p. 1420, 49 Cal.Rptr.2d 191.) Here, the trial court had made no such finding, as evidenced by the first question submitted to the jury: "Did [F & G] and [Risner] enter into a contract?" Thus, at the time that the trial court read the instruction, the question of whether a valid contract between the parties existed was unresolved. F & G was therefore permitted to proceed on its alternate theories of recovery. (See, e.g.,

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Huskinson & Brown, LLP v. Wolf (2004) 32 Cal.4th 453, 462-464, 9 Cal.Rptr.3d 693, 84 P.3d 379 [where fee agreement found to be invalid or unenforceable, attorney may nonetheless recover for reasonable value of the legal services it provided on client's behalf.]^{FN7}

^{FN7}Willman v. Gustafson (1944) 63 Cal.App.2d 830, 147 P.2d 636 (*Willman*), also cited by Risner in support of her argument that the trial court erred in reading the common count instructions to the jury in light of the written contract instructions, is similarly useless to her. In *Willman*, the plaintiff was defendant's housekeeper. The Court of Appeal found that substantial evidence supported the finding below that the parties had agreed to a fixed sum for the plaintiff's services. (*Id.* at pp. 831-832, 147 P.2d 636.) The Court of Appeal found that it was a simple case of offer and acceptance and that "[u]nder such circumstances no contract to pay the reasonable value of the services may be implied." (*Id.* at p. 833, 147 P.2d 636.) The Court of Appeal's holding that the finding of a fixed fee contract precluded the housekeeper from arguing that she should be permitted to recover the reasonable value of her services does not preclude the trial court's presentation to the jury of F & G's alternate theories of recovery in this case.

In addition, we find that even if error occurred, it is highly improbable that the trial court's reading of the common count instructions "prejudicially affected the verdict." (*Pool v. City of Oakland* (1986) 42 Cal.3d 1051, 1069, 232 Cal.Rptr. 528, 728 P.2d 1163.) The special verdict form listed five extremely narrow and specific questions pertaining to the parties' written contract and any breach thereof by either party. No mention was made of any of the common counts. Indeed, if the jury had answered "no" to the first question as to whether a contract existed between the parties, the jury form provided no alternate questions allowing the jury to make an award to F & G based on equity. In addition, the jury award itself was for the approximate sum that F & G had sought under the contract, therefore there is no indication that the jury applied any of the instructions regarding the common counts.

C. Refusal of Instructions on Defense Theories

Risner contests the trial court's refusal to give several of her proposed instructions, which she describes as "the heart of [her] defense." The refused instructions were: (1) an instruction indicating that the jury was "bound" by certain trial court interpretations of the contract, including that "All unpaid fees and costs by Risner to [F & G] were not due and payable until the time of the entry of the Further Judgment or at the time of a Marital Settlement Agreement is signed, which did not occur in the divorce until May of 2003"; (2) an instruction setting forth the test in *Falco, supra*, 188 Cal.App.3d at page 1004, 233 Cal.Rptr. 807, and indicating that an attorney's lawsuit against a client for fees is barred unless each element of the test is met; (3) an instruction that "the fact that a court permitted the Withdrawal [of F & G from Risner's divorce case] does not mean that [F & G] should have withdrawn as attorney for [Risner]"; and (4) an instruction indicating that the client is not obligated to contest an attorney's attempt to withdraw in order to preserve the right to assert that the withdrawal was a breach of the fee agreement or was unjustified.

Even where an instruction may be correct in the abstract, the trial court is not required to give it where such instruction "is not supported by the evidence or is likely to mislead the jury. [Citation.]" (*Joyce v. Simi Valley Unified School Dist.* (2003) 110 Cal.App.4th 292, 303, 1 Cal.Rptr.3d 712.) In addition, if a proposed instruction conflicts with the special verdict form, or is argumentative or confusing, the trial court is not required to give it. (*Ibid.*)

*12 As to the first instruction, the trial court had on at least three separate occasions declined to decide the issues of due date under the contract and breach of the contract, leaving those issues for the jury to determine after weighing all of the evidence. (See Section I, *infra*.) Therefore, the first proposed instruction conflicted with the trial court's prior determination that the jury should decide when money was due under the contract, and the trial court properly declined to read it.

The trial court also properly refused to read the second contested instruction suggesting that the action was barred unless F & G met the test set forth in *Falco, supra*, 188 Cal.App.3d at page 1004, 233 Cal.Rptr. 807. As set forth in Section II, *infra*, that test is inapplicable in this matter, therefore a reading of the

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proposed instruction to the jury would have been insupportable.

The final two instructions contested by appellant involve the propriety of F & G's withdrawal from Risner's divorce case. The questions in the special verdict form did not permit the jury to address the propriety of that withdrawal. Therefore, these proposed instructions conflicted with the special verdict form and may well have "diverted the jurors from the real issues before them." (*Joyce v. Simi Valley Unified School Dist.*, *supra*, 110 Cal.App.4th at p. 303, 1 Cal.Rptr.3d 712.) In addition, the proposition underlying these proposed instructions—that F & G's withdrawal was unjustified—is not supported by the evidence, which suggests that F & G properly withdrew under [rule 3-700\(C\) of the Rules of Professional Conduct](#) on the grounds that Risner breached her fee agreement. "An instruction ... may not be given where it is not supported by the evidence or is likely to mislead the jury. [Citation.]" (*Joyce v. Simi Valley Unified School Dist.*, at p. 303, 1 Cal.Rptr.3d 712.) The trial court did not err in refusing to give these instructions.

IV. Prejudgment Interest

On November 23, 2005, nine days after the special verdict was entered, F & G filed an ex parte application seeking prejudgment interest. Over Risner's objection, the court granted the motion and awarded an additional sum of \$84,758.64. On December 5, 2005, the trial court entered an amended judgment allowing for this additional award.

Risner argues that the sole method by which a party can recover prejudgment interest on a contract breach is to do so during trial as an element of damages. She further argues that such interest is not a cost and may not be imposed automatically as result of an ex parte motion claiming "clerical" error, as was done in this case.

F & G counters that its verified cross-complaint for breach of contract, which expressly requested prejudgment interest, protected its right to seek prejudgment interest. F & G further argues that the case law allows a request for prejudgment interest to be made at any time prior to entry of judgment or no later than the time allowed for filing a motion for a new trial. (*North Oakland Medical Clinic v. Rogers* (1998) 65 Cal.App.4th 824, 828, 76 Cal.Rptr.2d 743 (*North*

Oakland).)

*13 As set forth below, we find that this issue is properly resolved in favor of Risner.

F & G's right to prejudgment interest is set forth in [Civil Code section 3287](#), subdivision (a), which states: "Every person who is entitled to recover damages certain, or capable of being made certain by calculation, and the right to recover which is vested in him upon a particular day, is entitled also to recover interest thereon from that day."

North Oakland, *supra*, 65 Cal.App.4th 824, 76 Cal.Rptr.2d 743 discussed the guidelines for receiving an award of prejudgment interest. In *North Oakland*, the jury returned a special verdict in favor of plaintiffs on a breach of oral contract claim on September 20, 1995. No interest was included in the special verdict and none was included in the special verdict form. (*Id.* at p. 827, 76 Cal.Rptr.2d 743.) Plaintiffs thereafter filed a memorandum of costs, but did not request interest. Defendants moved to tax costs, and that motion was denied following a hearing. On January 3, 1996, plaintiffs presented an order to the court awarding the costs plus prejudgment interest. Upon defendant's motion, the trial court set aside the award of prejudgment interest on the grounds that plaintiffs were precluded from recovering interest on the debt because they had failed to previously move for such interest. (*Id.* at pp. 827-828, 76 Cal.Rptr.2d 743.)

In discussing the plaintiffs' appeal of the trial court's denial of prejudgment interest, the court noted that "there is no authority mandating any particular procedure for securing an award of prejudgment interest," but set forth several "general principles" which apply to such an award. The court noted that "[a] general prayer in the complaint is adequate to support an award of prejudgment interest." (*North Oakland*, *supra*, 65 Cal.App.4th at p. 829, 76 Cal.Rptr.2d 743.) However, the court specified that, "The issue here is not whether plaintiffs' complaint adequately invoked the court's power to award prejudgment interest.... Rather, the question we address is whether plaintiffs timely requested the court to exercise its power to determine whether plaintiffs were entitled to interest under [\[Civil Code\] section 3287](#) in circumstances where damages had been awarded but no interest was included in the verdict and where neither court nor jury had determined whether the damages were liq-

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undated or unliquidated.” (*Ibid.*) The court determined that the answer was no.

The court explained that, “It is well established that prejudgment interest is not a cost, but an element of damages. [Citations.]” (*North Oakland, supra*, 65 Cal.App.4th at p. 830, 76 Cal.Rptr.2d 743, fn. omitted.) Thus, the court concluded that the costs bill is not an appropriate vehicle for requesting interest, but that “prejudgment interest should be awarded in the judgment on the basis of a specific request therefore made *before* entry of judgment.” (*Ibid.*) As support for its decision, the court cited [California Rules of Court, rule 875](#), which states, “The clerk shall include in the judgment any interest awarded by the court and the interest accrued since the entry of the verdict.”

*14 The *North Oakland* court concluded, “at the latest, a request for prejudgment interest under [\[Civil Code\] section 3287](#) may be sought as part of a motion for new trial pursuant to [Code of Civil Procedure section 657](#), on the grounds of ‘[e]xcessive or inadequate damages.’ [Citation.]” (*North Oakland, supra*, 65 Cal.App.4th at p. 830, 76 Cal.Rptr.2d 743, quoting [Code Civ. Proc., § 657](#), subd. 5.) The court concluded, “Pending the promulgation of a rule by the Judicial Council, which we think appropriate, requests for prejudgment interest under [\[Civil Code\] section 3287](#) by a successful plaintiff must be made by way of motion prior to entry of judgment, or the request must be made in the form of a motion for new trial no later than the time allowed for filing such a motion.” (*North Oakland*, at p. 831, 76 Cal.Rptr.2d 743.)

F & G made no motion for prejudgment interest prior to entry of judgment. While F & G points out that it did request such interest in its cross-complaint, as stated by the *North Oakland* court, “The issue here is not whether plaintiffs’ complaint adequately invoked the court’s power to award prejudgment interest, ... [r]ather, the question we address is whether plaintiffs timely requested the court to exercise its power to determine whether plaintiffs were entitled to interest under [\[Civil Code\] section 3287](#).” (*North Oakland, supra*, 65 Cal.App.4th at p. 829, 76 Cal.Rptr.2d 743.)

While F & G argues that its *ex parte* application was made well within the time frame for a motion for a new trial, the request did not come “*as part of a motion for new trial* pursuant to [Code of Civil Procedure section 657](#), on the grounds of ‘[e]xcessive or inadequate

damages.’ [Citation.]” (*North Oakland, supra*, at p. 830, italics added.)

Because F & G failed to meet the guidelines set forth in *North Oakland*, and failed to point to any additional authority on this issue, we reverse the trial court’s award of prejudgment interest.

V. Attorney Fees

Following trial, F & G made a motion for attorney fees and costs. F & G sought \$23,002.85 in costs and \$127,847.50 in fees as the prevailing party in a trial following arbitration under [Business & Professions Code section 6204](#), subdivision (d).^{FN8} Alternatively, F & G sought fees and costs pursuant to [Code of Civil Procedure sections 998, 1032, 1033.5, and 1021.1](#) in the amount of \$68,055.85.^{FN9} On February 7, 2006, under the authority of [Business & Professions Code section 6204](#), the trial court awarded F & G the entire amount of costs but awarded only \$68,000.00 in fees. Risner appeals from the award of attorney fees, and F & G cross-appealed.

[FN8. Business & Professions Code section 6204](#) is part of the statutory scheme governing disputes over attorney fees. (See [Bus. & Prof. Code, §§ 6200 et seq.](#)) [Business & Professions Code section 6200](#) allows for arbitration to be voluntarily commenced by a client, but makes such arbitration mandatory for a member of the State Bar if commenced by a client. Absent an agreement to be bound by the arbitration, the parties are entitled to a trial after arbitration, as occurred here. ([Bus. & Prof. Code, § 6204](#), subd. (a).) [Business & Professions Code section 6204](#), subdivision (d), allows the trial court to award the prevailing party reasonable attorney fees and costs incurred in the trial after arbitration.

[FN9.](#) F & G explained this figure as “\$45,053 (attorney fees from October 12, 2005–November 31 [*sic*], 2005 + \$23,002.85 (total costs).”

*15 Risner raises three issues, none of which we need address at length. First, she argues that if the judgment is reversed, the award of attorney fees should also be reversed. Because the judgment will not be reversed, this argument is moot. Next, Risner argues that, if the

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award of fees was based on [Code of Civil Procedure section 998](#), subdivision (d), it was erroneous because she was not the plaintiff and did not seek affirmative relief, as required by that section. Because the trial court specified that the award was issued pursuant to [Business & Professions Code section 6204](#), we need not address this issue. Finally, Risner argues that F & G made no showing as to the time period when its expert, Judge Stephen Lachs (retired), incurred his time charges. Citing [Code of Civil Procedure section 998](#), Risner argues that F & G may only recover expert costs incurred after an offer to compromise under that section is made. Therefore, she argues, the trial court's award of the full \$14,200 was erroneous. Again, because the trial court's award of costs and fees was not made pursuant to [Code of Civil Procedure section 998](#), we need not address this argument.^{FN10}

FN10. In contrast to [Code of Civil Procedure section 998](#), [Business & Professions Code section 6204](#), subdivision (d) allows the prevailing party in a trial after arbitration to receive “reasonable attorneys' fees and costs incurred in the trial after arbitration.” Risner does not contest the trial court's authority to award expert witness costs under [Business & Professions Code section 6204](#). In addition, we note that she did not file a motion to strike costs or otherwise contest F & G's cost memorandum below. In her opposition to F & G's motion for fees, Risner noted: “the cost bill was filed, and not contested.” At the hearing, Risner's counsel noted that he was there “entirely on the attorney fees issue,” not the cost issue, and F & G's counsel noted that, “The issue of costs is not an issue that is before the court, nor has [Risner] properly filed any motion to strike those costs.” Thus, any objection to F & G's cost bill, which contained the request for expert fees in the amount of \$14,200, was apparently waived.

F & G appeals one issue: the trial court's decision to award less than the full \$127,847.50 requested by F & G under [Business & Professions Code section 6204](#), subdivision (d). While F & G acknowledges that the abuse of discretion standard of review governs our review of the trial court's award of attorney fees, ([PLCM Group, Inc. v. Drexler \(2000\) 22 Cal.4th 1084, 1095-1096, 95 Cal.Rptr.2d 198, 997 P.2d 511](#)), they argue that the trial court failed to adhere to applicable

legal criteria—specifically, the principle that “fee awards should be fully compensatory.” ([Ketchum v. Moses \(2001\) 24 Cal.4th 1122, 1133, 104 Cal.Rptr.2d 377, 17 P.3d 735](#).) In reducing the amount of attorney fees requested, F & G argues, the trial court acted arbitrarily and therefore abused its discretion.

An award of attorney fees is within the sound discretion of the trial court, and absent a “manifest abuse of discretion” we will not interfere with its decision. ([White v. Dorfman \(1981\) 116 Cal.App.3d 892, 900, 172 Cal.Rptr. 326](#).) We find no such manifest abuse here. We note that the language of [Business & Professions Code section 6204](#), subdivision (d) is entirely discretionary:

“The prevailing party may, in the discretion of the court, be entitled to an allowance for reasonable attorneys' fees and costs incurred in the trial after arbitration, which allowance shall be fixed by the court. In fixing the attorneys' fees, the court shall consider the award and determinations of the arbitrators, in addition to any other relevant evidence.”

Nothing in the language of the code section requires the trial court to make the award much less mandates that any such award be “fully compensatory.” In contrast, the trial court has the discretion to make the award and set the award as it sees fit. “The value of legal services performed in a case is a matter in which the trial court has its own expertise.” ([White v. Dorfman, supra, 116 Cal.App.3d at p. 900, 172 Cal.Rptr. 326](#).) F & G has not provided sufficient justification for disturbing the trial court's attorney fee award in this case.^{FN11}

FN11. [Ketchum v. Moses, supra, 24 Cal.4th at page 1133, 104 Cal.Rptr.2d 377, 17 P.3d 735](#), cited by F & G for the proposition that “fee awards should be fully compensatory,” is distinguishable. *Ketchum* involved the proper calculation of a fee award under [Code of Civil Procedure section 425](#) .16 (sometimes known as the anti-SLAPP statute) in a contingency fee case. Both [Vo v. Las Virgenes Municipal Water Dist. \(2000\) 79 Cal.App.4th 440, 446, 94 Cal.Rptr.2d 143](#), cited by Risner for the proposition that a party should recover for hours reasonably spent absent special circumstances, and [Horsford v. The Board of Trustees of Cali-](#)

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[fornia State University \(2005\) 132 Cal.App.4th 359, 33 Cal.Rptr.3d 644](#), are also distinguishable because they involve analysis under an inapplicable statute. (See *Vo, supra*, at pp. 445-446 [discussing an award under [Gov.Code. § 12965](#), subd. (b), part of the Fair Employment Housing Act (FEHA)]; *Horsford, supra*, at p. 393, 33 [Cal.Rptr.3d 644](#) [also discussing an award under FEHA]). *Serrano v. Unruh (1982) 32 Cal.3d 621, 632-633, 186 Cal.Rptr. 754, 652 P.2d 985, is similarly distinguishable as it involved an award of fees under [Code of Civil Procedure section 1021.5](#), which allows an award of attorney fees to a successful party in an action resulting in the enforcement of an important right affecting the public interest.*

DISPOSITION

***16** The judgment is affirmed with the exception of the portion of the amended judgment allowing for prejudgment interest, which is reversed. The award of attorney fees and costs under [Business & Professions Code section 6204](#), subdivision (d), is affirmed. Each party shall bear its own costs of appeal.

We concur: [DOI TODD](#), Acting P.J., and [ASHMANN-GERST, J.](#)
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(Cite as: **2008 WL 2705098 (D.N.D.)**)

HOnly the Westlaw citation is currently available.

United States District Court,
D. North Dakota,
Northeastern Division.
FARMERS COOPERATIVE CO., Plaintiff,
v.
SENSKE & SON TRANSFER CO. and Jimco Enterprises, LLC, Defendants.
Civil No. 2:06-cv-32.

July 9, 2008.

[Jonathan C. Miesen](#), [Marc A. Al](#), Stoel Rives, Minneapolis, MN, for Plaintiff.

[Ralph F. Carter](#), Moosbrugger Carter & McDonagh PLLP, [Dewayne A. Johnston](#), Johnston Law Office, Grand Forks, ND, for Defendants.

MEMORANDUM OPINION AND ORDER

[RODNEY S. WEBB](#), District Judge.

*1 The Defendants (collectively “Senske”) have filed a consolidated motion, seeking judgment as a matter of law, remittitur, or alternatively a new trial (doc. # 234). The Plaintiff Farmers Cooperative Company (“FCC”) has objected, arguing the evidence presented at trial supports the verdict. For the reasons discussed below, Senske’s motion is **DENIED**.

I. Background

FCC sued Senske, claiming it had intentionally altered the odometers on two tractor-trucks FCC purchased from Senske (doc. # 1). The Court held a trial in April 2007. The jury returned a verdict in favor of FCC for \$42,370.47 (doc. # 225). Under [49 U.S.C. § 32710\(a\)](#), the damages were tripled as treble damages. The Court added prejudgment interest and entered judgment against Senske for \$133,256.95 (doc. # 226).

II. Discussion

[Rule 50\(a\)\(1\) of the Federal Rules of Civil Procedure](#)

allows the Court to enter judgment as a matter of law when “a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue.” “The law places a high standard on overturning a jury verdict.” [Hathaway v. Runyon](#), 132 F.3d 1214, 1220 (8th Cir.1997). Judgment as a matter of law is appropriate only when no evidence supports the verdict. *Id.* The Court must give the nonmoving party the benefit of all reasonable inferences and view the evidence in that party’s favor. *Id.*

[Rule 59 of the Federal Rules of Civil Procedure](#) provides, “A new trial may be granted ... on all or part of the issues in an action in which there has been a trial by jury, for any of the reasons for which new trials have ... been granted in actions at law in the courts of the United States.” The Court may set a verdict aside where it is against the great weight of the evidence or to prevent injustice. [Fireman’s Fund Ins. Co. v. Aalco Wrecking Co., Inc.](#), 466 F.2d 179, 186 (8th Cir.1972).

Remittitur is proper only when the jury’s verdict is so grossly excessive as to shock the court’s conscious. [Eich v. Bd. of Regents for Cent. Mo. State Univ.](#), 350 F.3d 752, 763 (8th Cir.2003). “A verdict is not considered excessive unless there is ‘plain injustice’ or a ‘monstrous’ or ‘shocking’ result.” *Id.* (quoting [Jenkins v. McLean Hotels, Inc.](#), 859 F.2d 598, 600 (8th Cir.1988)). With these standards in mind, the Court turns to the substance of Senske’s motion.

A. Remittitur and Damages

The jury’s verdict is supported by the evidence. FCC presented evidence of what it paid Senske for the trucks compared to the fair market value of the trucks with their actual mileage. FCC also solicited testimony as to whether a truck engine with the lesser mileage would have needed an overhaul. The evidence showed the truck engine more likely than not should not have needed an overhaul at the lesser mileage but one at the actual mileage of the trucks likely would. The credibility of witnesses Swanson and Brownmiller was a jury consideration that the Court cannot invade. [Stevenson v. Union Pac. R.R. Co.](#), 354 F.3d 739, 745 (8th Cir.2004). The Court concludes the

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damages awarded were supported by the evidence and should not be overturned.

*2 Furthermore, remittitur is not proper in this case. As explained above, the jury's verdict was supported by the evidence. The Court also notes that FCC in its closing implored the jury to look at the repair records for the trucks and exclude anything the jury did not believe were attributable to buying a truck with more miles than assumed. The Court cannot conclude the jury's verdict of \$42,370.47 "shocks the conscious" of the Court, and the verdict hardly results in an injustice or is monstrous in light of the evidence presented. Therefore, the Court will not lessen the jury's award. The jury did not award a windfall, FCC was not put in a position of betterment, nor did they fail to mitigate their damages. Therefore, Senske's argument that a new trial is needed because of these issues is without merit.

B. Bifurcation

As Senske notes in its brief, the Court has broad authority to bifurcate separate parts of a trial under [Federal Rule of Civil Procedure 42\(b\)](#). [O'Dell v. Hercules, Inc.](#), 904 F.2d 1194, 1201-02 (8th Cir.1990). This case was relatively straight forward, did not involve complex concepts of law, and did not involved several claims or burdens of proof. *See id. at 1202* ("In exercising discretion, district courts should consider the preservation of constitutional rights, clarity, judicial economy, the likelihood of inconsistent results and possibilities for confusion."). Therefore, this case did not present a need to bifurcate.

C. Jury Instructions and Verdict Form

The Court's jury instructions were taken from the Eighth Circuit's model jury instructions for odometer fraud cases. *See* 8th Cir. Civil Jury Instr. 6.01-6.02 (2005). These instructions are supported by the law of the Eighth Circuit. *See id.* Therefore, Senske's challenge to the final instructions given to the jury are without merit. Senske also argues the Court failed to instruct the jury regarding preponderance of the evidence. The Court directs Senske to Preliminary Instruction # 4.

Similarly, Senske has failed to show any defect in the verdict form presented to the jury. Senske's proposed verdict form was long, complicated, and served only

to confuse the jury. The verdict form presented to the jury "split the baby" between FCC's short and direct form with Senske's wish to separate out damages by truck. Therefore, there was nothing inaccurate or confusing about the verdict form. Senske's challenge to the Court's verdict form is without merit.

D. Prejudice by the Court

Senske next argues the Court prejudiced Senske's case by commenting about settlement in pretrial conferences, refusing to grant a continuance, and interjecting itself in the testimony. The Court disagrees. Regarding the Court's comments about settlement, the Court ensured Senske fully understood the risks of losing at trial. Regarding the requested continuance, this case had been a long, drawn out one that afforded Senske plenty of time to prepare. The previously assigned judge denied a continuance (doc. 134). Senske was represented by two capable attorneys with a great deal of experience. The Court did grant a one-week continuance to allow it to finish another trial, giving Senske additional time to prepare. Therefore, Senske has not shown how it was prejudiced. Finally, the Court has discretion to control the presentation of evidence in trial. [O'Dell, 904 F.2d at 1203](#). The Court was well within its discretion to manage the trial by not letting Senske present irrelevant and confusing evidence or allow its expert to testify about matters not previously disclosed in his expert report. Therefore, this argument is without merit.

E. Prejudgment Interest.

*3 Under [N.D. Cent.Code § 47-14-05](#), "Interest for any legal indebtedness must be at the rate of six percent per annum...." FCC requested the awarding of prejudgment interest at the prevailing rate under North Dakota law. The jury found Senske liable for a legal indebtedness for altering the odometers of the two trucks and over-charging FCC. Furthermore, FCC incurred an indebtedness proximately caused by Senske when it overhauled the engine on a truck that evidence showed should not have been needed. Therefore, the awarding of prejudgment interest was justified.

III. Conclusion

The evidence presented at trial supports the jury's verdict. Therefore, judgment as a matter of law, new

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trial, and remittitur are improper. Senske's motion is
DENIED.

IT IS SO ORDERED.

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