

UNITED STATES DISTRICT COURT
DISTRICT OF NEW HAMPSHIRE

T-PEG, INC and)	
TIMBERPEG EAST, INC.,)	
Plaintiffs,)	
)	
vs.)	No. 03-CV-462-M
)	
VERMONT TIMBER WORKS, INC. and)	
DOUGLAS FRIANT,)	
Defendants.)	

DEFENDANT’S MEMORANDUM IN SUPPORT OF ITS
MOTION FOR SUMMARY JUDGMENT
BASED ON PLAINTIFFS’ LACK OF STANDING

Defendants, Vermont Timber Works, Inc. (“VTW”) and Douglas Friant (“Friant”) have moved the Court under FRCP 56 for summary judgment on the grounds that, as a matter of law, (1) plaintiffs did not create, and are not the authors of, the architectural work which is the subject of this action, (2) plaintiffs therefore are not owners of the copyright, and (3) plaintiffs lack standing to bring this action.

This memorandum, including the incorporated Statement of Undisputed Facts, Exhibits 1- 8, and authenticating affidavit, are submitted in support.

Preliminary Statement

Of eight original counts, the sole remaining claims are Counts II and VIII, claims for copyright infringement, based on alleged infringement of (1) a claimed “architectural work” as defined in Section 101 of the Copyright Act, known as the Isbitski project and (2) “plans”¹ for that project.

¹ A separate Motion For Judgment On The Pleadings is being filed as to any claims based on the plans, since plaintiffs did not make a copyright registration as to plans.

Plaintiffs allege, as they must, that they “created an original set of architectural plans” (Am. Cplt. ¶15) and, further, that they “registered the Plans with the United States Copyright Office as an architectural work” (Am. Cplt. ¶17). These allegations have some critical vagueness, however, in that they utilize the definition “Timberpeg” to refer to both plaintiffs, T-Peg, Inc. and Timberpeg East, Inc., “collectively and individually.” Am. Cplt. ¶2. As will be shown below, the identity of the precise owner of the copyrighted work matters, and each plaintiff’s claim must stand or fall on its own.

As will be demonstrated below, as a matter of law –

- (1) The work was created – if at all – by Timberpeg Design Services, Inc., and not by either plaintiff.
- (2) Plaintiffs cannot demonstrate that the work is a “work for hire” as asserted on the application, based on the clear definition of that term in Section 102(b).
- (3) Even if T-Peg were the valid owner, TEI lacks standing because it cannot be an “exclusive licensee” as defined by Section 501(b).

STATEMENT OF UNDISPUTED FACTS

There is no genuine dispute as to the following material facts:

1. Plaintiffs’ alleged copyright ownership is based on T-Peg’s application and Certificate of Registration VAu 51-781, attached to the Complaint, and reproduced as Ex. 1. Am. Cplt. ¶17. That application/registration provides, in relevant part:

2a	Name Of Author:	T-Peg, Inc. [none other listed]
	Work made for hire?	Yes
4	Copyright Claimant:	T-Peg, Inc.

2. Timberpeg East, Inc. is not listed as an author or owner on the application/ Certificate of Registration, VAu 51-781. Ex. 1.

3. Timberpeg Services, Inc. is a separate entity which is not a plaintiff in the case. Moreover, plaintiffs have objected to providing information about Timberpeg Services, Inc. because it is not a party. Ex. 2, Answers to Interrog. No. 1 and RTP No. 7. Moreover, according to records of the New Hampshire Secretary of State (see www.sos.nh.gov/corporate) which this Court should judicially notice, Timberpeg Services, Inc. was organized on May 24, 2000.

4. There is no evidence that either plaintiff did any design work at all on the Isbitski project, either in conjunction with his earlier design which is not at issue here or in conjunction with the “architectural work” identified in VAu 51-781, and plaintiffs clearly admit there was none:

(a) Plaintiffs’ “Answer To Interrogatories” (Ex. 2) and, thereafter, their “Supplemental Answers To Interrogatories” entered after defendant demanded a precise response by plaintiff (Ex. 4), admit the following:

No. 10. Identify the total number of design hours (a) T-Peg and (b) TEI spent on the Isbitski project, and itemize that number by task performed.

Answer: Timberpeg spent approximately 108 hours of drafting time (Ex. 2)

[Based on draft motion to compel,] Timberpeg will supplement to break down the hours between T-Peg and TEI. (Ex. 3)

Supplemental Answer: T-Peg, Inc. did not directly perform any design time on the Isbitski project. Timberpeg East, Inc. does not keep a record of design time spent by Timberpeg East employees. However, Timberpeg Services, Inc., which operates as the design department for Timberpeg East and T-Peg, Inc. on a work-for-hire basis spent approximately 108 hours of drafting time (Ex. 4)

(b) The five sheets submitted to the Copyright Office for Registration VAu 51-781 all reflect that they were drawn by Joe Downey. (Ex. 5)

(c) That the design work was performed by Downey, and that Downey was an employee of Timberpeg Services, Inc., not of either plaintiff, is also conceded by plaintiffs' witness, Vincent. (Ex. 6). Indeed, Vincent stated that he himself is an employee of Timberpeg Services, Inc., (at 7), that he has no authority to take actions on behalf of T-Peg or TEI (at 10), that Timberpeg Services, Inc. does all the design work for TEI (at 6), that Timberpeg Services has 13 people in the design department (at 14), that Joe Downey worked for Vincent at Timberpeg Services, Inc. (at 19), and that "Downey drafted the plans here" and was "an employee of Timberpeg Services, not Timberpeg East or T-Peg" (at 31-32).

5. While plaintiffs' supplemental answer to Interrogatory 10 argues, self-servingly, that Timberpeg Services, Inc. "operates [for plaintiffs] on a work-for-hire basis" (Ex. 4), it is undisputed that there is no agreement so providing and, as shown below, plaintiffs' assertion is contrary to law.

ARGUMENT

Standard

Summary judgment is appropriate when the record reveals "no genuine issue as to any material fact and . . . the moving party is entitled to a judgment as a matter of law." FRCP 56(c).

The nonmoving party "may not rest upon mere allegation or denials of [the movant's] pleading, but must set forth specific facts showing that there is a genuine issue" of material fact as to each issue upon which he or she would bear the ultimate burden of proof at trial. Id. (quoting Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 256 (1986)). In this context, "a fact is 'material' if it potentially affects the outcome of the suit and a dispute over it is 'genuine' if the parties' positions on the issue are supported by conflicting evidence." Intern'l Ass'n of

Machinists and Aerospace Workers v. Winship Green Nursing Center, 103 F.3d 196, 199-200 (1st Cir. 1996) (citations omitted).

As shown below, based on the undisputed material facts, VTW is entitled to judgment as a matter of law.

I. STANDING REQUIRES OWNERSHIP PLUS REGISTRATION

A. Governing Principles

The Copyright Act is clear in limiting standing (1) to “legal or beneficial owners,” (2) of exclusive rights under a copyright, (3) where the copyright has been registered prior to commencement of the action.²

B. The Evidentiary Function Of Registration: Easily Rebuttable Presumption

Section 410(c) of the Copyright Act provides that the certificate of registration

Shall constitute *prima facie* evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court.

² Section 501 states:

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

Section 411 states:

[N]o action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title. . . .

Since there is a three-year statute of limitations, Section 507(b), it is now too late for new plaintiffs, such as, hypothetically, Timberpeg Services, Inc., to register and commence suit for the architectural work at issue here.

However, as pointed out by Nimmer, this presumption governs the sequencing of proof, but is substantively not a strong presumption to overcome and, in fact, if defendant comes forward with any evidence to the contrary, the burden of proof shifts back to the plaintiff. That is because – unlike in the patent context – the Copyright Office does not examine and pass on the application as submitted, but simply files it. As stated by Nimmer,

[U]pon introduction of a properly registered certificate the burden shifts to defendant If, however, defendant offers proof . . . , the burden then shifts to plaintiff to overcome that evidence.

Nimmer On Copyright §12.11[B][1] at 12-202 to 12-203.

II. T-PEG: PRESUMPTION OF AUTHORSHIP OVERCOME BY UNDISPUTED FACTS

In the case of plaintiff T-Peg, Inc., there is a certificate of registration (Ex. 1), which creates an initial presumption – but nothing more – of the validity of the copyright and the facts stated in the certificate.

Several of the facts stated therein, and the resulting presumed validity based on those facts, are proven false by evidence which T-Peg concedes, however, and therefore entitle defendants to judgment as a matter of law.

A. Not Designed/Created By T-Peg, Inc.

The evidence could not be clearer – despite T-Peg’s attempts not to disclose it – that T-Peg has no designers, did not put any time or services into creating the architectural work at issue here, and was not the “author.”

After repeated insistence by defendants on a direct response, and the submission of a draft motion to compel, plaintiffs finally supplemented Interrogatory 10 by conceding that “T-Peg, Inc. did not directly³ perform any design time on the Isbitski project.” (Ex. 4)

B. Not A “Work Made For Hire”

T-Peg checked the “work made for hire” box on the application (Ex. 1), and so is entitled to an initial presumption that it was a “work made for hire.” T-Peg even attempts to argue this point in its supplemental interrogatory response (which is *not* part of the application and therefore *not* entitled to any presumption) by reciting that Timberpeg Services, Inc. “operates as the design department for Timberpeg East and T-Peg, Inc. on a work-for-hire basis.”

There are, however, clear statutory guidelines for “works made for hire,” and they clearly demonstrate that this relationship was not a “work made for hire”:

Section 101 defines “work made for hire” as

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use

[a] as a contribution to a collective work,

[b] as a part of a motion picture or other audiovisual work,

[c] as a translation,

[d] as a supplementary work,

[e] as a compilation,

[f] as an instructional text,

[g] as a test,

[h] as answer material for a test, or

[i] as an atlas,

if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

³ The term “directly” is apparently a deliberate waffle, which in the context of the response can only refer to the author-for-hire concept, discussed in the next heading below, and clearly not applicable.

Emphasis added. See also, Nimmer On Copyright §5.03[B], and the U.S. Copyright Office's instructions for Application Form VA (Ex. 7).

Subsection 101(1) clearly is not met. The work was not prepared by any employee of T-Peg, period, let alone "within the scope of his or her employment." T-Peg admits that. Moreover, another company cannot be an "employee," since courts look to traditional indicia of employment, including employment agreements, manner of compensation, tax withholding, right to control details of the work, whether the employee uses his own or the employers' tools, right to control work hours, and the like. Nimmer at §5.03[B][1]

Subsection 101(2) clearly is not met, for at least three reasons. First, there is no evidence that this work, the architectural work embodied in the 4/20/01 drawings, was "specially ordered" by T-Peg. Indeed, there appears to have been no communication at all between T-Peg and Timberpeg Services about the project. Second, it was not ordered or commissioned as one of the nine items listed in [a] through [i] of the definition above. And third, there is no signed, written agreement expressly agreeing that the work is a "work made for hire."

There is no dispute about these facts, and they conclusively rebut the minimal initial presumption of the certificate that T-Peg is the owner and author.

III. **TIMBERPEG EAST: NO CERTIFICATE RAISING
PRESUMPTION OF AUTHORSHIP; AND IN ANY EVENT
NO AUTHORSHIP BASED ON UNDISPUTED FACTS**

Unlike T-Peg, plaintiff TEI is not listed on the application/certificate at all, so not even the initial presumption of authorship arises.

But even if it were listed, the overwhelming, uncontradicted evidence is that TEI did not author it. The supplemental interrogatory response (Ex. 4, No. 10) indicates that exactly 108 aggregate hours of design were put in, and all 108 were put in by Timberpeg Services, Inc. That leaves nothing for TEI, of course.

In addition, that response indicates that TEI “does not keep a record” of design time and this response, together with TEI’s failure to identify any design services in response to the direct interrogatory as well as document requests are binding responses precluding it from taking a contrary position at this late juncture.

IV. TIMBERPEG EAST: NO STATUS AS BENEFICIAL OWNER

A final point needs to be made with respect to TEI. Unlike T-Peg, TEI is not listed on the application/certificate at all, so not even the initial presumption of authorship arises.

But in response to defendants’ prior summary judgment motion on the ground that TEI owns no copyright interest (which was never determined and is still pending⁴), TEI argued (Document 24 at 22-24) that it could piggyback onto T-Peg’s registration as an assignee based on an undated, unsigned inter-company non-exclusive “Contract” between TEI and T-Peg.⁵ That

⁴ This heading is a restatement of the ground for summary judgment set forth in defendants’ First Motion For Summary Judgment, Document 23, at pp. 17-18. The argument was fully briefed in 2004 (Documents 23, 24 & 28), was never determined, and was revived in this Court in its post-remand order dated March 9, 2007. After discussions with the docket clerk, defendants believed it would be more convenient to re-plead the argument here and are doing so.

⁵ Plaintiffs failed to produce this document in the first rounds of discovery, but claim they found it subsequently in an unexecuted version.

document is attached as Exhibit 8 here,⁶ and it is insufficient to give TEI standing for the following reasons:

First, it is black-letter law that a non-exclusive licensee lacks standing to sue, so thankfully there is no need to litigate whether the document is genuine. This document states right on its face that the assigned right is “non-exclusive.”

In their prior opposition (Document 24 at 23) plaintiffs tried to avoid this reality by paraphrasing Section 501(b) of the Copyright Act to omit the critical qualifier, “exclusive.” The statute states:

The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirement of section 411 [i.e., registration with the Copyright Office], to institute an action for any infringement

17 U.S.C. §501(b) (emphasis added). See also, Nimmer On Copyright §12.02[B] (“only parties with ownership rights in a copyright have standing to bring claims for its infringement[;] nonexclusive licensee has no . . . standing to sue. . . . It is only the copyright owner, or the owner of exclusive rights under the copyright, as of the time the acts of infringement occur, who has standing to bring an action for infringement of such rights.”).

Courts have universally applied Section 501(b) to deny standing to mere non-exclusive licensees. E.g., Motta v. Samuel Weiser, Inc., 768 F. 2d 481, 483-84 (1st Cir. 1985) (no standing unless plaintiff owns exclusive rights); Eden Toys, Inc. v. Florelee Undergarment Co., 697 F. 2d

⁶ The relevant language is:

T-Peg, Inc. conveys and assigns to Timberpeg East the non-exclusive right to use T-Peg, Inc.’s copyrighted/copyrighted material to promote the marketing and sale of the TIMBERPEG brand product line.

Ex. 8 (emphasis added).

27 (2d Cir. 1982) (same, citing Nimmer); Latin American Music Co., Inc. v. Archdiocese of San Juan, 194 F. Supp. 30, 49 (D. P. R. 2001) (“LAMCO/ACEMLA has a non-exclusive license. As such, it does not have standing to bring a copyright infringement action.”); R. Ready Prods., Inc. v. Cantrell, 85 F.Supp.2d 672, 684 n. 11 (S.D.Tex.2000) (“holders of a non-exclusive license lack standing to sue, because they have no ownership interest in the copyright”); Swarovski America Limited v. Silver Deer Limited, 537 F.Supp. 1201, 1205 (D. Colo. 1982) (“the licensor of non-exclusive rights retains standing to sue while the non-exclusive licensee has none”). See generally 3 Nimmer on Copyright at s 12.02

Second, “a transfer of copyright ownership . . . 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” Section 204(a). Here, there is no such signature, and there is really no proof that the document is anything more than a draft.

Even if T-Peg were the true author – which it is conclusively not – a non-exclusive, un-signed license from it would be insufficient to transfer exclusive ownership and standing to sue to TEI. As a matter of law, VTW is entitled to summary judgment as against Timberpeg East.⁷

CONCLUSION

Defendants are entitled to summary judgment because, based on the admissions of plaintiffs (1) T-Peg was not the author of the architectural work at issue here, thus overcoming

⁷ Timberpeg East also suggested (Document 24 at 23), without analysis, that it might be “viewed as an equitable or beneficial owner” by virtual of the (alleged) non-exclusive license. As explained by Nimmer, the statute is not referring to some loopy-goosey notion of “beneficial ownership,” but the “reference is intended to the general law of trusts.” There is no evidence or even suggestion in this case that T-Peg, the owner identified in the Copyright Office, established a formal trust for the benefit of Timberpeg East. No trust document has been produced.

its listing itself on the registration application; and (2) TEI was neither listed on the application nor the assignee of exclusive rights by the true author/owner.

Date: June 26, 2007

VERMONT TIMBER WORKS, INC.
and DOUGLAS FRIANT, Defendants,

/s/ W. E. Whittington
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Exhibits:

Ex. 1 – Application and Certificate of Registration	05/18/01
Ex. 2 – Answer to Interrogatories, Nos. 1 and RTP No. 7	05/12/04
Ex. 3 – Memo of “meet and confer” regarding Interrogatory 10	06/19/04
Ex. 4 – Supplemental Answers To Interrogatories	07/13/04
Ex. 5 – Drawings Attached to Copyright Application	04/20/01
Ex. 6 – Jon Vincent Deposition	03/31/04
Ex. 7 – U.S. Copyright Office Instructions for Form VA	rev. June 1999
Ex. 8 – “Contract” between TEI and T-Peg	unsigned, draft, no dates

CERTIFICATE OF SERVICE

I hereby certify that on June 26, 2007, I served the foregoing pleading on the following counsel of record, by causing it to be filed electronically via the CM/ECF filing system or mailed by first-class United States Mail, postage pre-paid, or in such other manner as may be indicated:

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