

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW HAMPSHIRE**

_____)	
T-Peg, Inc. and Timberpeg East, Inc.)	
)	
Plaintiffs,)	
)	
v.)	No. C-03-462-M
)	
Vermont Timber Works, Inc. and Douglas Friant)	
)	
Defendants.)	
_____)	

PLAINTIFFS’ BRIEF ON STANDING
PURSUANT TO COURT’S ORDER OF MARCH 28, 2008

NOW COME Plaintiffs, T-Peg, Inc. and Timberpeg East, Inc. (collectively, “Timberpeg” or “Plaintiffs”) and respectfully submit the following Brief On Standing Pursuant To the Court’s Order of March 28, 2008.

INTRODUCTION

Defendants Vermont Timber Works, Inc. and Douglas Friant (collectively, “VTW”) moved for summary judgment on the grounds that the Plaintiffs allegedly do not own the copyright to the architectural plans at issue and, therefore, lack standing to prosecute this infringement action. The Plaintiffs objected and the Court denied VTW’s motion by Order dated March 28, 2008. In denying VTW’s motion, the Court noted that the Plaintiffs’ copyright registration was in doubt because unresolved questions remained concerning the contract, which, the Plaintiffs assert, conveyed to T-Peg, Inc. (“T-Peg”) and Timberpeg East, Inc. (“Timberpeg East”) co-ownership of the copyright in the architectural work at issue in this action. The Court instructed the parties submit further briefing to address the following three questions: (i) what did T-Peg receive from Timberpeg East if the contract transferred something less than full

ownership of the copyright; (2) the legal effect of a transfer of less than full ownership on both T-Peg's standing to sue and its ability to register the copyright on which this case is based; and (iii) how the contract provisions should be construed. The Plaintiffs submit the following brief in answer to these questions.

As set forth below, the undisputed facts viewed through traditional principles of contract construction and copyright law compel a finding that T-Peg and Timberpeg East are co-owners of the copyright. T-Peg's registration of the copyright is therefore valid and, further, both Plaintiffs have standing to sue VTW for infringement. Even assuming the contract conveyed something less than copyright ownership to T-Peg, T-Peg would still have standing as an exclusive licensee to register the copyright and to sue VTW for infringement. At most, the Plaintiffs' copyright registration contains inadvertent errors that do not undermine the validity of the registration for purposes of supporting this infringement action.

STATEMENT OF UNDISPUTED FACTS

A. TIMBERPEG® and The Timberpeg Family of Companies

TIMBERPEG® is a federally registered trademark used by a family of companies to promote, design, manufacture, and sell TIMBERPEG® brand post and beam home packages. Affidavit of Richard Neroni ¶ 2, attached hereto as Exhibit A [hereinafter "Neroni Aff."]. T-Peg owns the TIMBERPEG® trademark. Id.

T-Peg licenses the TIMBERPEG® trademark to a group of related companies, all owned by T-Peg. These related companies include Timberpeg East, Timberpeg Pacific, Inc., Timberpeg South, Inc., Timberpeg West, Inc. and Timberpeg Services, Inc. ("Timberpeg Services"). Id. ¶ 3. These companies use the TIMBERPEG® trademark for purposes of effectuating sales of TIMBERPEG® product. The related companies use the trade name "Timberpeg" to promote their common business. Id.

Timberpeg East is a wholly owned subsidiary of T-Peg and is responsible for sales of TIMBERPEG® product in the northeast United States. Id. ¶ 4. Timberpeg Pacific, Inc., Timberpeg South, Inc., and Timberpeg West, Inc., are also wholly owned subsidiaries of T-Peg and are responsible for sales of TIMBERPEG® product in other regions of the United States. Id. Timberpeg Services, another wholly owned subsidiary of T-Peg, provides design, drafting, and manufacturing services to Timberpeg East as well as the other Timberpeg companies operating in regions other than the northeast. Id. Timberpeg Services operates solely for the benefit of the Timberpeg companies and does not independently provide services to the general public or any unrelated companies. Id.

B. Timberpeg Copyright Ownership

For over 20 years, Timberpeg East has operated pursuant to an agreement with T-Peg whereby T-Peg co-owns with Timberpeg East all copyrighted or copyrightable work produced or acquired by Timberpeg East. Id. ¶ 6. This agreement was memorialized in a contract first executed in the early 1990's by Timberpeg East and T-Peg, which states in relevant part:

1. Timberpeg East, Inc., a T-Peg, Inc. authorized licensee with authority to market and sell the TIMBERPEG® brand product line, conveys and assigns to T-Peg, Inc. co-ownership and co-claimant rights to any and all copyrightable/copyrighted material produced or acquired by Timberpeg East. Timberpeg East also conveys and assigns to T-Peg, Inc. full and complete authority to use, convey, and license said copyrightable/copyrighted material to promote the marketing, sale, design, and manufacture of the TIMBERPEG® brand product line. Timberpeg East further conveys and assigns to T-Peg, Inc. full and complete authority to register the copyright on any said copyrightable/copyrighted material in the name of T-Peg, Inc. and Timberpeg East, Inc.

Id. at Exhibit 1.¹

¹ T-Peg and Timberpeg East have been unable to locate the original executed copy of the agreement. For purposes of the standing issues raised in this case, the companies have re-executed the agreement to formally comply with the provisions of 17 U.S.C. § 204(a). Execution of a written agreement memorializing a prior copyright assignment is valid *ab initio* as a conveyance of ownership. Beckwith Builders, Inc. v. Depietri, 2006 DNH 107, 25 (citing Billy-Bob Teeth, Inc. v. Novelty, Inc., 329 F.3d 586, 591 (7th Cir. 2003)).

Through contract, T-Peg and Timberpeg East intended to convey to each party equal ownership interests and claimant rights in all copyrighted or copyrightable work created or acquired by Timberpeg East. *Neroni Aff.* ¶ 7. This was the intended meaning and effect of the first sentence in the above-quoted language. *Id.* As a practical matter, T-Peg intended to register the copyrights on behalf of itself and Timberpeg East and to use the works in marketing materials to promote the TIMBERPEG® brand. *Id.* These marketing materials would be distributed throughout the United States for the benefit of all regional Timberpeg companies, not just Timberpeg East. To memorialize T-Peg's use of the parties' shared rights, the parties included the language reflected in the second and third sentences of the contract. *Id.* The parties did not intend this language to limit T-Peg's ownership of the copyrights. *Id.* As the family of companies is owned by T-Peg, the intent was to protect the intellectual property while providing T-Peg and Timberpeg East unfettered rights to use and enforce it. *Id.* ¶ 5.

C. The Isbitski Architectural Plans

Stanley J. Isbitski ("Isbitski") approached Timberpeg East in 1999 about designing a home. Affidavit of Lynn Cole ¶¶ 1-2, attached as Exhibit C to Plaintiffs' Opposition to Defendants' Motion for Summary Judgment Based on Lack of Standing (Docket Entry 135). Lynn Cole ("Cole"), a regional manager for Timberpeg East, served as the principal Timberpeg contact with Isbitski. *Id.* ¶ 1. Timberpeg produced an initial set of plans for Isbitski in 1999, which Isbitski did not like. *Id.* ¶¶ 2-3. In early 2001, Cole met with Isbitski to discuss some new ideas Isbitski wanted to incorporate into his future home. *Id.* ¶ 3. Based on this meeting, and in his capacity as regional manager for Timberpeg East, Cole designed an entirely new floorplan for Isbitski by hand. *Id.* ¶ 3 & Ex. 1. Cole included a copyright notice on his hand-drawn plans reflecting that the copyright was held by T-Peg. *See Cole Aff.* at Ex. 1. Cole sent his hand-drawn floorplan to Timberpeg Services to have it converted into scaled architectural plans using

a computer aided design (“CAD”) program. Id. ¶ 4. Joe Downey (“Downey”), a draftsman employed by Timberpeg Services at the time, converted Cole’s floorplan using the CAD program. Id. The April 2001 architectural plans at issue in this action are the plans that Downey generated when he converted Cole’s floorplan using the CAD program. Id. ¶ 4 & Ex. 2. Like Cole’s hand-drawn plans, the plans generated by Downey also included a copyright notice designating T-Peg as the copyright owner. Id. at Ex. 2.

The April 2001 architectural plans were registered with the United States Copyright Office on May 18, 2001. The registration certificate identifies T-Peg, Inc. as the author and the copyright claimant. The registration also identifies the plans as an architectural work “made for hire.” Certificate of Registration for VAu 510-781, attached hereto as Exhibit B.

STATEMENT OF DISPUTED FACTS

To the extent the registration certificate for VAu 510-781 incorrectly identifies the copyright author, the copyright claimant, or the status of the architectural work as a work made for hire, such errors were not intended or made knowingly by T-Peg or Timberpeg East. Neroni Aff. ¶ 8.

ARGUMENT

The Court’s Order of March 28, 2008 set forth three questions: (1) What did T-Peg receive from Timberpeg East under the contract if it got less than full ownership, (2) the legal effect of a transfer of less than full ownership on both T-Peg’s standing to sue and its ability to register the copyright on which this case is based, and (3) how the contract should be construed. Order of 3/28/08 at 12. These questions bear not only on T-Peg’s standing as a plaintiff in this action, but also on the validity of the copyright registration.

As a starting point, the Court’s construction of the contract between T-Peg and Timberpeg East should be guided by traditional principles of contract interpretation. 3 M.

Nimmer & D. Nimmer, Nimmer on Copyright § 10.08, at 10-75 (2004) [hereinafter “Nimmer”]. The paramount task in contract construction is, where possible, to effectuate the intent of the parties. Id. at 10-72. Intent may be informed by the parties themselves as well as by their course of dealing and course of performance. 5 M. Kniffin, Corbin on Contracts § 24.21 at 204 (Rev. Ed. 1998) [hereinafter “Corbin”]; see also Restatement (Second) of Contracts § 2.02(1) (extrinsic evidence admissible in the interpretation of contracts regardless of whether ambiguity is discerned). The contract should also be read in a manner that gives effect to the largest proportion of the terms and will make performance by the parties possible rather than impossible. Corbin § 24.22 at 235-36. Importantly, specific terms shall prevail over general terms only where there is an inconsistency between the two. Id. § 24.23.

The principle of divisibility of copyright and the mechanics of copyright registration also inform the proper construction of the contract. A copyright owner holds the exclusive right to reproduce, adapt, publish, perform, and display the copyrighted work. 17 U.S.C. § 106. These exclusive rights are separate and distinct and they may be transferred individually by the copyright owner to licensees. Nimmer § 10.02. A licensee holding an exclusive right is entitled to the protection and remedies accorded to the copyright:

Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified in section 106, may be transferred . . . and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.

17 U.S.C. § 201(d)(2). This definition has been construed to mean that the various rights which make up a copyright may be divided, but that the copyright itself may not. Morris v. Business Concepts, Inc., 259 F.3d 65, 69 (2d Cir. 2001). “[T]here is never more than a single copyright in a work, notwithstanding the author’s exclusive license of certain rights.” Id. (internal quotations omitted). Thus, an exclusive licensee (i.e., one holding an exclusive right in a copyright) does

not possess identical rights as a copyright owner, though an exclusive licensee is entitled to the same protection and remedies for infringement of its exclusive rights as the copyright owner. 17 U.S.C. § 201(d)(2). This distinction is relevant when an exclusive licensee registers a copyright because the registration should reflect the owner as the copyright claimant, not the exclusive licensee. 17 U.S.C. § 408(a) (“the owner of copyright or of any exclusive right in the work may obtain registration of the copyright claim”); Morris, 259 F.3d at 70-71 (observing that an exclusive licensee registering the copyright should identify the copyright owner as the claimant in the certificate of registration). Importantly, in the absence of fraud, a copyright registration that identifies the wrong claimant or contains other inadvertent errors does not invalidate the registration for purposes of supporting a claim for copyright infringement. Billy-Bob Teeth, Inc. v. Novelty, Inc., 329 F.3d 586, 591 (7th Cir. 2003); Wales Industrial, Inc. v. Hasbro Bradley, Inc., 612 F. Supp. 510, 515 (S.D.N.Y. 1985).

As explained below, the foregoing principles compel a finding that T-Peg and Timberpeg East fully own the copyrighted architectural work at issue in this action. Even were T-Peg to have received something less than full ownership, it would still be an exclusive licensee with standing to register the copyright and to sue for infringement. Moreover, to the extent the Plaintiffs’ copyright registration contains technical errors, such errors are not fatal to the Plaintiffs’ standing or infringement claim.

A. The Contract Conveys Copyright Ownership to T-Peg And Timberpeg East Equally And Resolves The Shared Rights That Arise From Co-Ownership

The contract between T-Peg and Timberpeg East should be construed as transferring to the contracting parties equal ownership in the copyrights of Timberpeg East and, further, as delineating the parties’ shared rights. Copyright ownership may be conveyed just like other forms of property. 17 U.S.C. § 201(d)(2). Thus, two or more persons or entities may own a

copyright jointly. Nimmer § 6.01, at 6-3. Co-owners of a copyright are treated as tenants-in-common, with each holding equal rights in the copyright. Id. These shared rights include the right to use the work and the right to bring infringement actions. Id. §§ 6.09, at 6-29 and 6.10, at 6-31. Like joint owners of other forms of property, joint owners of a copyright owe to one another a duty to account for profits resulting from the use of the copyright. Goodman v. Lee, 78 F.3d 1007, 1012 n.16 (1st Cir. 1996); H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 121 (1976). The Copyright Act is silent, however, as to what law governs joint ownership or disputes arising out of joint ownership. Cambridge Literary v. Goebel Porzellanfabrik, 295 F.3d 59, 64 (1st Cir. 2002).

The contract between T-Peg and Timberpeg East falls squarely within the framework for joint ownership of copyright. The first sentence of the contract conveys equal ownership rights to T-Peg and Timberpeg East in all copyrights created or acquired by Timberpeg East, including the copyright to the architectural work at issue in this action. As joint owners, T-Peg and Timberpeg East are vested with equal rights to use the copyrights and to register the copyrights. See Nimmer § 6.01, at 6-3. It is these shared rights that are addressed by the language following the first sentence. The second and third sentences establish a division of labor as between the parties for the registration and use of the copyrights. This language reflects the practical reality, as understood and agreed by the parties, that T-Peg would register the copyrights and use the copyrights to market the TIMBERPEG® brand product line. In short, the contract creates joint owners and then sets forth terms for that joint ownership, thereby delineating the parties' relationship in a realm where the Copyright Act falls silent. See Cambridge Literary, 295 F.3d at 64.

What is more, construing the contract language as transferring equal ownership in Timberpeg East's copyrights to T-Peg and Timberpeg East fulfills the intent of the parties. See

Neroni Aff. ¶ 7. It is also consistent with the parties' course of performance in handling the copyright at issue in this action. Lynn Cole, an employee of Timberpeg East, included a copyright notice identifying T-Peg as the copyright claimant on the hand-drawn plans he created of the Isbitski house. Joe Downey, an employee of Timberpeg Services, included a copyright notice identifying T-Peg as the copyright claimant on the scaled plans. T-Peg was also identified as the copyright owner in the registration certificate. Thus, representatives of the Timberpeg companies consistently, and at every opportunity, manifested the intent and understanding that T-Peg owned the copyright in the architectural work created for Isbitski.² T-Peg owns the copyright at issue in this action as a result of the conveyance reflected in the contract. The copyright registration therefore properly identifies T-Peg as a copyright claimant and T-Peg has standing to prosecute this infringement action.

B. At A Minimum, The Contract Conveys Rights To T-Peg That Give It Standing As An Exclusive Licensee

If T-Peg received less than full ownership of Timberpeg East's copyrights under the contract, it would nevertheless have standing to register the copyrights and to sue for infringement as an exclusive licensee. In its March 28 Order, the Court questioned whether the second and third sentences of the contract limited the conveyance described in the first sentence. Order of 3/28/08 at 10. Assuming such a construction of the contract were reasonable, the second and third sentences still transfer to T-Peg a panoply of rights, including "full and complete authority to use, convey, and license [Timberpeg East's] copyrightable/copyrighted

² On a related note, Plaintiffs' theory of authorship (as opposed to ownership) has been characterized as a moving target. Court's Order of 3/28/08 at 11 n.3. This characterization is based in part on Plaintiffs' answer to VTW's interrogatory requesting Plaintiffs identify the design time spent on the architectural work. Exhibit 4 to VTW's Memorandum In Support of Motion for Summary Judgment Based on Defendants' Lack of Standing (Docket Entry 126). Plaintiffs answered that Timberpeg East did not keep a record of the design time spent by its employees, but that Timberpeg Services, Inc. spent 108 hours of design time on the work. *Id.* VTW's interrogatory did not ask Plaintiffs about authorship nor was Plaintiffs' answer intended to provide such an answer. Lynn Cole authored the work as an employee of Timberpeg East, Inc. This fact is consistent with Plaintiffs' answer to VTW's interrogatory.

material” and “full and complete authority to register the copyright”. See Exhibit B. These rights, which run the gamut of conceivable uses of the copyright, are defined by the Copyright Act to be exclusive rights. 17 U.S.C. § 106(1) & (3) (exclusive rights include right to reproduce copyrighted work or distribute it to the public by sale or other transfer of ownership, or by rental, lease, or lending). To only give effect to the transfers described in the second and third sentences of the contract, therefore, would establish T-Peg as an exclusive licensee of Timberpeg East’s copyrights. In this capacity, T-Peg would have standing to register the copyrights and to sue for infringement of its exclusive rights. 17 U.S.C. §§ 408(a) (right to register copyrights as exclusive licensee) & 501(b) (standing to sue for infringement as exclusive licensee).

Of course, to construe the contract as conveying to T-Peg something less than copyright ownership would undermine the intent and course of performance of the parties as well as violate touchstones of contract interpretation. To view the second and third sentences of the contract as limiting the conveyance expressed in the first sentence would first require a finding that the contract terms are inconsistent. See Corbin § 24.23. Yet the function of the second and third sentences was to address the shared rights held by T-Peg and Timberpeg East that arose from the conveyance of ownership in the first sentence. Applying a rule of construction that reads the second and third sentences as limiting the first sentence would be improper because there is no inconsistency in the terms. Furthermore, to construe T-Peg as an exclusive licensee would risk rendering performance of the contract impossible. The contract directs that T-Peg register the copyright in its name. While an exclusive licensee may register a copyright, the copyright cannot be registered in the exclusive licensee’s name. See Morris, 259 F.3d at 70-71. Thus, to find T-Peg is an exclusive licensee would make contract performance impossible because T-Peg could not register the copyright in its name. The only reasonable contract construction,

therefore, is to find that full copyright ownership was transferred to T-Peg. It is ownership that vests T-Peg with the legal authority to perform the terms of the contract.

C. Errors In The Copyright Registration Do Not Defeat The Plaintiffs' Infringement Action

At most, the Plaintiffs may be required to cure a handful of inaccuracies in the copyright registration. Such errors, however, do not invalidate the copyright registration nor are they grounds for dismissing this infringement action. “[A] misstatement or clerical error in the registration application, if unaccompanied by fraud, should neither invalidate the copyright nor render the registration certificate incapable of supporting an infringement action.” Nimmer § 7.20[B], at 7-210; see also Billy-Bob Teeth, 329 F.3d at 591 (“case law is overwhelming that inadvertent mistakes on registration certificates do not . . . bar infringement actions, unless the claimant intended to defraud the Copyright Office by making the misstatement”). Fraud in this context means a willful misstatement or omission in the registration that, if known, would have caused the Copyright Office to reject the application. Nimmer § 7.20[B], at 7-211 (noting that a party seeking to prove fraud on the Copyright Office bears a heavy burden). Conversely, misstatements or clerical errors are immaterial to the validity of the registration if the work in question would still have been eligible for copyright had the registration application contained a correct statement of the facts. Id.

Courts take a liberal approach to erroneous registrations and they have regularly forgiven misstatements as to identity of the author or of the copyright claimant, or where the nature of the copyrighted work is incorrectly identified. Nimmer § 7.20[B] at 7-212; Wales Industrial, 612 F.Supp. at 515. A copyright registration that only identifies one of the two authors of the work is also not fatal to the registration. Original Appalachian Artworks, Inc. v. Toy Loft, Inc., 489 F.Supp. 174 (N.D. Ga. 1980). Moreover, errors in a copyright registration are easily cured

through a supplemental registration, the legal effect of which is to augment -- and not supersede -- the original registration. 17 U.S.C. § 408(d). Technical misdescriptions curable by supplementation do not invalidate the copyright registration or undermine a plaintiff's standing to prosecute an infringement action. Wales Industrial, 612 F.Supp. at 515.

The copyright registration filed for the architectural work at issue in this action identifies T-Peg as the copyright author and claimant and identifies the work as being made for hire. See Exhibit B. These statements appeared in the registration because the Plaintiffs were operating on the assumption that T-Peg owned Timberpeg East's copyrights and because Lynn Cole had authored the work in his capacity as an employee of Timberpeg East, thereby making it a work for hire. To the extent these statements are deemed erroneous by the Court, it was unintentional by the Plaintiffs. Such errors do not undermine the validity of the registration in any event because the architectural work would still have been eligible for copyright had the registration contained the correct information (e.g., identifying Timberpeg East as a claimant) when it was originally filed. Moreover, the errors can be rectified through a supplemental registration -- a process the Plaintiffs will undertake if the Court concludes that the registration contains errors. To the extent the Court identifies defects in the copyright registration they are at most immaterial and easily cured, and have no impact the validity of the registration for purposes of supporting the Plaintiffs' infringement action against VTW.

CONCLUSION

For the foregoing reasons, T-Peg has standing to prosecute this infringement action and the copyright registration for the architectural work at issue is valid for purposes of enforcing the Plaintiffs' claim.

Respectfully submitted,

T-PEG, INC. AND
TIMBERPEG EAST, INC.

By their attorneys,

DEVINE, MILLIMET & BRANCH,
PROFESSIONAL ASSOCIATION

Dated: May 12, 2008

/s/ Jonathan M. Shirley
Daniel E. Will (Bar No. 12176)
Jonathan M. Shirley (Bar No. 16494)
111 Amherst Street
Manchester, NH 03105-0719
(603) 669-1000

Of Counsel:

Stephen S. Woods, Esquire (#8240)
General Counsel for Plaintiffs
Timberpeg East, Inc.
c/o 68 Lyme Road
Hanover, NH 03755
(603) 643-6200

CERTIFICATE OF SERVICE

I hereby certify that on this day, May 12, 2008, a copy of the foregoing Plaintiffs' Brief on Standing Pursuant To Court's Order of March 28, 2008 was transmitted to W.E. Whittington, Esquire in accordance with the Court's Administrative Procedures of Electronic Filing.

/s/ Jonathan M. Shirley
Jonathan M. Shirley