

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. )

DEFENDANTS' BRIEF ON STANDING  
PURSUANT TO COURT ORDER OF MARCH 28, 2008

Defendants, Vermont Timber Works, Inc. and Douglas Friant (jointly "VTW"), respectfully submit the following Brief on Standing pursuant to the Court's Order of March 28, 2008 (Document 147). That Order (at 12) directs the parties to provide/brief the following factual and legal issues:

- Provide a statement of undisputed and disputed facts.
- 1. Explain what T-Peg received from Timberpeg East.
- 2. Explain the legal effect of a transfer of less than full ownership on (a) T-Peg's standing to sue and (b) T-Peg's ability to register the copyright.
- 3. Explain how the contract provisions should be construed.

In addition, after setting forth the undisputed facts and before addressing the three designated issues, VTW will articulate two points in the Court's March 28, 2008 which it respectfully believes are inaccurate or inappropriate.

STATEMENT OF UNDISPUTED FACTS

The statement set forth in defendants' motion for summary judgment on standing (Document 126) is still valid, and none of those facts has been contradicted in any way by plaintiffs. For convenience, that statement is restated here (exhibit references are to Document 126):

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.
Transfer	[left blank; no transfer identified]

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](http://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 in plaintiffs' discovery 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 agreed to supplement to break down the hours between T-Peg and TEI. (Ex. 3) That supplementation was as follows:

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 [in Document 126], plaintiffs' assertion is contrary to law.

Before leaving the statement of facts, VTW respectfully wishes to point out its disagreement with at least one aspect of the Court's "undisputed facts" listed at pp. 3-5 of its March 28, 2008 Order. In the top paragraph of p. 5 the Court not only credits plaintiffs' current (third) version – that Lynn Cole was "principally responsible for designing the Isbitski house" – but designates this version as "undisputed." As shown below at pp. 6-7, this directly contradicts plaintiffs' and Cole's earlier positions; at worst, this is a "disputed" fact, but more appropriately the court should accept VTW's version of this point – that the "design" at issue was the formal plan made by Joe Downey and filed in the Copyright Office – since plaintiffs are bound by their discovery responses and previous positions (admissions) in the case.

#### VTW DISAGREEMENT WITH COURT'S ANALYSIS

1. Plaintiffs' Asserted Ownership Based On Claimed *Authorship, Not Assignment Or License*

The Court notes (Document 147 at 7) that standing to sue for copyright infringement can be based on either (1) copyright ownership or (2) an exclusive license from an owner. VTW agrees that this is a correct statement of the law, but strongly disagrees that the "exclusive license" prong is properly at issue here.

Both the 2003 Complaint (Document 1 at ¶¶14, 29) and the 2004 Amended Complaint (Document 27 at ¶¶15, 34) allege that "Timberpeg created [the Plans]" and "by virtue of its

registration of the Plans . . . Timberpeg<sup>1</sup> is the owner of the copyright for the Plans . . . .” No allegation was made of either plaintiff being a “licensee,” whether exclusive or otherwise. Nor was there any allegation of ownership by assignment as opposed to by authorship and registration.

The first assertion by plaintiffs of ownership by “contractual agreements” was in their opposition (Document 175) to the motion for judgment based on standing, long after they had responded to interrogatories and undergone depositions. At that point they submitted an unsigned, undated purported “Contract” between Timberpeg East and T-Peg, along with affidavit of Richard Neroni explaining his understanding of the contractual relationship between the various plaintiff entities as well as a supposed contract as to which he admits that he could not locate a signed copy. Neither he nor anyone else authenticates the document. It is apparently the unsigned, unauthenticated, and unclear document which causes the Court to find a “disputed issue.”

This eleventh hour “discovery” of its ownership theory is particularly troubling in light of plaintiffs’ directly contrary discovery in the case. VTW’s interrogatories and requests to produce directly addressed the issue. Interrogatory 1 specifically sought information as to Timberpeg Services, Inc. and Timberpeg Design Services, and plaintiffs refused on the basis of “not reasonably calculated to lead to the discovery of admissible evidence.” Request To Produce 7 was even more directly addressed to this issue, and was similarly met with a complete refusal:

RTP 7. All documents, including contracts, concerning the relationship between you and Timberpeg Services, Inc. and or Timberpeg Design Services.

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<sup>1</sup> In its complaints and all of its pleadings until the most recent – over VTW’s constant objection – plaintiffs have used “Timberpeg” as a defined term to conglomerate both defendants and have refused to analyze the standing issues on a plaintiff-by-plaintiff basis.

Answer. Plaintiffs object to this request as overly broad, unduly burdensome, not limited in time and scope, and not reasonably calculated to lead to the discovery of admissible evidence.

Ex. 2 to Document 126 (emphasis added).

Relying on the clear language of the Complaint and Amended Complaint that claimed ownership was based on authorship (and no allegation at all of assignment), and relying on the clear denials in the discovery responses that the relationships or contracts between the Timberpeg entities had anything to do with the case, VTW took depositions, prepared its case and, when discovery was closed, filed its motion for summary judgment based on lack of standing. With all respect, it is grossly unfair for the Court to permit plaintiffs to completely change their factual allegations and theory of ownership in direct contravention of their pleadings and discovery. VTW respectfully requests that the Court decide the standing issue based on the claims as asserted and discovery positions, and reopen and grant the motion for summary judgment (Document 126) based on lack of standing.

2. Claim Based On 4/21/01 Plans Registered With Copyright Office Which Were Designed By Downey, Not On The Sketch By Cole

The second indulgence granted to plaintiffs by the Court is to accept, or consider, plaintiffs' changed characterization which now claims that the "architectural work" at issue is embodied in the Cole sketch, and that Cole not Downey was the author of the work. That is contrary to everything which has occurred to date in the case and directly contrary to the First Circuit's statement that "[i]t is only this second, registered set of preliminary plans that is at issue] in the case":

- The Complaint and Amended Complaint identify the "architectural work" at issue as the "Plans," which they define to be the formal 4/21/01 plans drafted by Downey and

registered in the Copyright Office. Document 27 at ¶¶32, 16, 17 The complaints do not even mention the Cole sketch.

- The formal Downey Plans, not the Cole sketches, were the subject of the Copyright Office registration. Ex. 1 to Document 126. The copyright registration does not even mention the Cole sketch.
  
- This Court's initial summary judgment rulings (Documents 90 & 98) were based on plaintiffs' allegations that the architectural work at issue was that embodied in the formal Plans. This Court's initial decisions do not even mention the Cole sketch.
  
- The First Circuit based its ruling entirely on the formal Downey Plans, not the Cole sketches, and affirmatively noted that they, and they alone, were the plans at issue in the case:

Timberpeg completed a new design for Isbitski on April 20, 2001 [the "Plans"] . . . Timberpeg registered these plans with the Copyright Office on May 18, 2001. The registration certificate shows that these second preliminary plans were registered as an "architectural work." It is only this second, registered set of preliminary plans that is at issue here.

T-Peg, Inc. v. Vermont Timber Works, Inc., 459 F. 3d 97, 103-04 (1<sup>st</sup> Cir. 2006) (emphasis added). The First Circuit opinion at no point even mentions the Cole sketch. The First Circuit ruling limiting the issue to the registered plans is "law of the case" and binding in subsequent phases of the litigation.<sup>2</sup>

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<sup>2</sup> See discussion of "law of the case" in Document 149 at pp. 3-5.

- All of the depositions were taken on the understanding that the “architectural work” at issue was that in the Plans. As to that, plaintiffs admitted in interrogatories that T-Peg and Timberpeg East [i.e., Cole’s employer] “did not directly perform any design time on the Isbitski project,” whereas Timberpeg Services [i.e., Downey’s employer] spent 108 hours. Supp’l Answer to Interrog 10, Ex. 4 to Document 126. In deposition, plaintiffs Chief of Design admitted that not Lynn Cole but “Joe Downey was the one who provided the creative input to [the Plans.]” Ex. 6 to Document 126, at 33 line 14 ff.
- The Cole Affidavit (Version 3!) on which the plaintiffs rely (and which the Court now refers to) is entirely at odds with his prior affidavits. See Document 137 at 5.

For all those reasons it is improper for the Court to treat Cole as the person “primarily responsible for designing the Isbitski house,” March 28 Order at 5, to treat the Cole sketch as the “architectural work” at issue in the case, and to consider whether Cole’s employer Timberpeg East therefore “authored” the work and assigned it to T-Peg.

In the American jurisprudence system, it is incumbent on a plaintiff to plead facts justifying recovery, then to provide discovery about those facts when requested by defendant, and finally to produce evidence to support them. Here, plaintiffs have completely changed their pleaded facts – twice, as noted in the Court’s Order at p. 11, note 3 – after VTW has gone through the litigation process in reliance on the pleadings and discovery and demonstrated no supporting evidence. For the Court to permit yet another complete change, five years into the case and after discovery is closed and the initial pleadings have already been addressed by this Court and the First Circuit, is an unacceptable violation of VTW’s due process rights under the Federal Rules of Procedure.

Respectfully, the Court should not even reach the issues it poses in its March 28 Order, should reopen the summary judgment motion, and should grant judgment to VTW.

WHAT IF ANYTHING T-PEG RECEIVED FROM  
TIMBERPEG EAST IN THE JANUARY 1, 1994 SERVICE  
AGREEMENT BETWEEN TIMBERPEG EAST AND T-PEG

The Service Agreement was ineffective to transfer ownership to T-Peg for several reasons.

First, under Section 204 of the Copyright Act, a transfer of copyright ownership is not valid unless an instrument of conveyance or memo of transfer is in writing and signed by the owner of the rights conveyed. 17 U.S.C. S204. There is no written, signed document evidencing the assignment of such rights from T-Peg to Timberpeg East after the work was “created” in 2001, and there is no written, signed document evidencing the transfer of Timberpeg Services Division’s rights under the agreement to Timberpeg Design Services, Inc. upon the latter’s incorporation in 2000 (see the Court’s March 28 Order, at 4 note 2).

Second, at the date of the contract, January 1994, the 4/21/2001 architectural work was not in existence and couldn’t be transferred. When the architectural work was created, in 2001, Timberpeg Design Services Division was no longer in existence.

Third, the language of the document – at least if it purports to transfer a copyright in the 4/21/01 “architectural work” – is just too vague to clarify that such is intended. If a contract is not concrete enough to show a clear meeting of the minds as to a particular term, it simply fails as to that term.

Fourth, while Court’s March 28 Order (at 4) focuses on Section 8 of the document, VTW suggests that the final words in Section 8, “with respect to any work that TDS performs under

this Agreement,” require that Section 2 defining the scope of the work under the “agreement” must be read together with Section 8. Thus, the relevant language is the following:

2. *Retention and Description of Services.* During the term of this Agreement, TDS will furnish services as requested by TEI. The services will relate to work being done or planned by TEI in the field of designing, manufacturing, and marketing TIMBERPEG® brand pre-cut post and beam home kits. The services will be within TDS’s area of technical competence and may include the following: product design services (not including stamped architectural or engineered plans), product manufacturing services, customer relations services, customer contract administration and record keeping services, safety consultative services, quality control consultative services, product pricing services, product documentation services, and product evaluation services.
  
8. *Proprietary Information.* TDS will treat as proprietary any information belonging to TEI, its affiliated companies, or any third parties, that is disclosed to TDS in the course of TDS’s services. TDS assigns and agrees to assign to TEI or its nominee all rights in inventions or other proprietary information, including, but not limited to, copyright interests conceived by TDS during the term of this Agreement with respect to any work that TDS performs under this Agreement.

Document 135-2 (emphasis added). The term “product design services” as opposed to “home” or “architectural work” design services, and the exclusion of stamped architectural drawing, indicates reference to generic design as opposed to design of any particular house which would end up as a stamped architectural plan. So this excludes the 4/21/01 Plans registered in the Copyright Office.

Fifth, if the Court treats the Cole sketch as the “architectural work” at issue here – which VTW believes to be fallacious as set forth above – that sketch was work product of Timberpeg East, Cole’s employer, not T-Peg, so the purported “assignment” from T-Peg to Timberpeg East does nothing to move ownership to T-Peg. In addition, as noted below, ownership via transfer would have to be shown on Space 4 of the registration statement, and it wasn’t. As a result T-Peg’s purported registration as “Author” was fallacious and a nullity.

Sixth, if the Court treats the 4/21/01 plans as the embodiment of the architectural work, then it was created by Timberpeg Services, Inc., and there is no written, signed document transferring ownership from Timberpeg Services, Inc. to the party registering it as “author,” T-Peg.

Seventh, there is no support at all for plaintiffs’ position (Document 152 at 7-8) that the document conveys ownership “to T-Peg and Timberpeg East equally” as “joint tenants.” Plaintiffs contend (Document 152 at 8, middle) that this result flows from “the first sentence of the contract,” but there is no language remotely conveying a “joint tenant” right or even mentioning that rights are retained by the transferor. If the operative sentence (“TDS assigns and agrees to assign . . .”) is an assignment of the copyright, and if T-Peg had the rights, the assignment is absolute and assigns the entire copyright. That is still unavailing to plaintiffs, because T-Peg then registered rights it did not have, and Timberpeg East was the sole owner but failed to register.

**THE LEGAL EFFECT OF A TRANSFER OF LESS THAN  
FULL OWNERSHIP ON (A) T-PEG’S STANDING TO SUE  
AND (B) T-PEG’S ABILITY TO REGISTER THE COPYRIGHT**

Apparently both the Court in its briefing directive, and plaintiffs in their response (Document 152 at 9), consider the effect of a hypothetical partial transfer from Timberpeg East to T-Peg. But, significantly, in each of the two documents at issue (Document 135-2, Exhibit 2) the purported assignment in Section 8 is from T-Peg, not to T-Peg. Both those purported assignments are absolute, not partial. So the effect would be that T-Peg ended up with no ownership, and therefore had no right to register the copyright and no standing to sue for infringement.

Concerning a division of rights, the law does not address transfer of partial ownership but rather of licensure. Plaintiffs have argued (Document 24 at 22-24) that Timberpeg East 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.<sup>3</sup> That status would still be insufficient to give TEI standing.

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 (1<sup>st</sup> Cir.

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<sup>3</sup> Plaintiffs failed to produce this document in the first rounds of discovery, but claim they found it subsequently in an unexecuted version.

1985) (no standing unless plaintiff owns exclusive rights); Eden Toys, Inc. v. Florelee Undergarment Co., 697 F. 2d 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

Finally, as a non-owner, T-Peg lacked the right to register the copyright altogether. This is governed by Section 408 of the Copyright Act, which provides:

408(a). At any time during the subsistence of copyright in any published or unpublished work, the owner of copyright or of any exclusive right in the work may obtain registration of the copyright claim by delivering to the Copyright Office the deposit specified by this section, together with the application and fee specified by sections 409 and 708. . . .

Clearly, this excludes T-Peg.

In addition, the statute has a specific requirement that any transfer be noted in the registration application itself. 17 U.S.C. §409(5) (“The application shall include, . . . if the claimant is not the author, a brief statement of how the claimant obtained ownership of the copyright”).

This principle is also demonstrated by the official instructions to the Copyright Office’s registration form, which provides as follows:

**SPACE 4: Claimant(s)**

**Name(s) and Address(es) of Copyright Claimant(s):** Give the name(s) and address(es) of the copyright claimant(s) in this work even if the claimant is the same as the author. Copyright in a work belongs initially to the author of the work (including, in the case of a work made for her, the employer or other person for whom the work was prepared). The copyright claimant is either the author of the work or a person or organization to whom the copyright initially belonging to the author has been transferred.

**Transfer:** The statute provides that, if the copyright claimant is not the author, the application for registration must contain “a brief statement of how the claimant obtained ownership of the copyright.”

...

Ex. 7 to Document 166 (emphasis added). This Section 409(5) statutory requirement presents yet one more fatal hurdle to plaintiffs’ after-the-fact change of theory. If they rely on a transfer of rights from Timberpeg East to T-Peg, that transfer had to have been noted and explained in Space 4 of the registration application. It was not. That “Transfer” line is absolutely blank in the filing made by T-Peg. Ex. 1 to Document 166.

### CONCLUSION

The Court should not countenance yet another change in alleged facts, after the case has gone through all stages of discovery and motion practice and this Court and the First Circuit have made rulings based on the original allegations. As stated by the First Circuit, “[i]t is only this second, registered set of preliminary plans [the 4/21/01 version by Downey] that is at issue here. T-Peg, Inc. v. Vermont Timber Works, Inc., 459 F. 3d 97, 103-04 (1<sup>st</sup> Cir. 2006). The Lynn Cole sketch is not the architectural work at issue in the case.

T-Peg received nothing from Timberpeg East.

T-Peg had no right to register the copyright under Section 408 of the Copyright Act, and its after-the-fact claim to be the owner by transfer is proven false by the registration application itself which failed to note the supposed transfer in Space 4.

The Court should reopen the summary judgment motion and should grant judgment to VTW.

Date: May 30, 2008

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

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CERTIFICATE OF SERVICE

I hereby certify that on May 30, 2008, 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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