

No. _____

**In The
Supreme Court of the United States**

—◆—
FROST-TSUJI ARCHITECTS,

Petitioner,

v.

HIGHWAY INN, INC., et al.,

Respondents.

—◆—
**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Ninth Circuit**

—◆—
PETITION FOR WRIT OF CERTIORARI

—◆—
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QUESTIONS PRESENTED

There is a disparity between the circuits as to explicit exclusive rights afforded by the Architectural Works Copyright Protection Act (“AWCPA”) which has not been previously reviewed by this Court. 17 U.S.C. §§ 102 and 106 recognize “architectural works” as a designated special Class with explicit exclusive rights by Act of Congress. The First, Third, Fourth, Sixth, and Eleventh Circuits review their cases recognizing the rights of the copyright author, while the Fifth, Seventh, and Ninth Circuits advance the standard of implied license, which is not a limitation or exception under § 120.

1. Whether judicial grant of an unremunerated, involuntary, *sua sponte* implied license, is allowed to negate the explicit exclusive rights in “architectural works” to do and to authorize the bundle of rights under 17 U.S.C. § 106; contrary to 17 U.S.C. § 201(e), and in violation of U.S. Constitution Art. 1, § 8, Clause 8, and against the congressional mandates of AWCPA.
2. Whether the Ninth Circuit disregarded this Court by failing to recognize misconduct and illegal acts that nullify any license, in determining fee awards in a copyright infringement case, as decided in *Kirtsaeng v. Wiley & Sons*, 579 U.S. ___, 136 S.Ct. 1979, 2016 WL 3317564.
3. Whether removal of indications of attribution without the author’s knowledge or authorization, on

QUESTIONS PRESENTED – Continued

registered copyrighted work, before first publication of the building, stripping the architect's Titleblocks and copyright management information ("CMI"), is a violation of the Digital Millennium Copyright Act ("DMCA").

LIST OF PARTIES

Frost-Tsuji Architects (“Frost-Tsuji” or “FTA”),

Petitioner

Highway Inn, Inc. (“HII”)

Ho‘ola Mau, LLC (“HM”)

Bryce Uyehara, A.I.A., Inc. (“Uyehara”)

Iwamoto and Associates, LLC (“Iwamoto”)

J. Kadowaki, Inc. (“JKI”)

Palekana Permits, LLC (“Palekana”)

Bargreen Ellingson of Hawaii, Inc. (“Bargreen”)

Respondents

STATEMENT PURSUANT TO RULE 29.6

Frost-Tsuji Architects is a partnership registered under the laws of the States of California and Hawai‘i.

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INTRODUCTION

The classic example of circuit non-uniformity is where a party would prevail in one court of appeals but lose on precisely the same issue in another court of appeals for the sole reason that the interpretation of federal laws which should be uniform in the courts of appeals differ by application. That is precisely the case here. Further, the Ninth Circuit has refused to apply this Court's established precedent regarding the awarding of fees in copyright infringement cases by failing to account for litigation misconduct and other illegal acts by a party which should have negated and nullified any implied license from the outset as exceeding any scope of intent.

FTA sued HII and the other Defendants herein for copyright infringement. While the District Court explicitly acknowledged FTA's valid copyright, it imposed an implied non-exclusive license to HII and its unauthorized assignee, HM, and other third-party Respondents. This violated the exclusive rights granted solely to authors of copyrighted architectural works under the Architectural Works Copyright Protection Act ("AWCPA"). The District Court then compounded this error by refusing to acknowledge that each and every issuance of a copyrighted work is a new copyright by definition and that the removal of FTA's title block and CMI followed by the copying, reproduction, distribution and use of FTA's work were, in and of themselves, each a violation of the Digital Millennium Copyright Act ("DMCA") at each step in the architectural design and construction process. At

no time did Frost-Tsuiji agree to part with any of its “bundle of rights” under 17 U.S.C. § 106 to any party. The Defendants then proceeded to covertly use the architectural work in violation of the copyright owner’s exclusive rights for construction of that work, specifically protected by registered copyrights protection in advance of completion of that built work, all the while denying any usage whatsoever when the Restaurant was opened to the public. In fact, Frost-Tsuiji first learned of the expropriated use of its work only after 5 months of illicit construction, without benefit of a bonafide Building Permit. The Defendants continued denying expropriation of FTA’s work, until another 10 months into the litigation.

Finally, despite diligent efforts to uncover the Defendants’ litigation misconduct and illegal acts, including HII’s explicit failure to produce email admissions concerning its knowledge that it did not have a license to use FTA’s work (the “April Emails”), the lower courts failed to even review this Court’s *Kirtsaeng* decision concerning the effect of litigation misconduct in awarding of fees in a copyright infringement case.

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OPINIONS AND ORDERS BELOW

The Memorandum Opinion of the Ninth Circuit affirming the various grants of summary judgement in favor of the Defendants and the Defendants’ fees requests were unpublished. App. 1.

The trial court Order Granting Judgment in Favor of all Defendants with Respect to Count IV of the Second Amended Complaint; Order Denying Partial Summary Judgment with Respect to Count IV of the Second Amended Complaint; Order Denying as Moot Defendant J. Kadowaki, Inc.'s Motion for Partial Summary Judgment as to Statutory Damages and Attorneys' Fees pursuant to Count IV and Motion to Continue that Motion; Order Denying Motion to File Third-Amended Complaint entered on August 26, 2014 is App. 6

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The trial court Order Adopting the Magistrate Judge's Findings and Recommendation to Grant in Part Defendants' Motions for Attorneys' Fees and Costs, entered March 30, 2016 is App. 143.



STATEMENT OF JURISDICTION

The court of appeals rendered its decision on October 26, 2017. This Court has jurisdiction under 28 U.S.C. § 1254(1).



STATUTORY PROVISIONS INVOLVED

U.S. Constitution, Art. I, § 8, cl. 8

17 U.S.C. § 101

17 U.S.C. § 102(a) and (b)

17 U.S.C. § 103(a)

17 U.S.C. § 106

17 U.S.C. § 120

17 U.S.C. § 201(b), (c) and (e)

17 U.S.C. § 202

17 U.S.C. § 301(a)

17 U.S.C. § 301(b)(3) and (4)

17 U.S.C. § 501

17 U.S.C. § 504

17 U.S.C. § 505

17 U.S.C. § 1202

17 U.S.C. § 1203



STATEMENT OF THE CASE

1. Review Of Key Factual Points

Appellant Frost-Tsuji filed suit against HII and the other Defendants-Respondents (collectively “Defendants”) claiming that the Defendants had individually and collectively engaged in infringement of FTA’s federally registered copyrights (both architectural work including the building completed and architectural drawings) for FTA’s design and layout of a commercial restaurant (Highway Inn) (“Restaurant”) located in Honolulu, Hawaii. HII had a written agreement with FTA to prepare the design and layout of the Restaurant and to act as the architect of record from concept through the completion of construction to Certificate of Occupancy. Pet. App. 9. HII also held onto an AIA B101-2007 Contract concurrently and throughout the design and issuance of the completed construction Bid Set and ultimately acknowledged by both parties as the “greenmarked” copy with both Frost-Tsuji and HII returning to each

other, section by section, agreed upon clauses. Pet. App. 9-13.

On or about December 1, 2012, HII executed an Architectural and Interior Design Services Letter of Agreement for tenant improvements, in which the parties agreed that Frost-Tsuji would serve as the architect of record and the interior design consultant for the Project (“LOA”). Under the terms of the LOA, Frost-Tsuji owns “all copyrights to all items designed”:

9. Copyrights: Note that *per AIA standard contract*, Architect’s drawings, specifications, and all design work are “instruments of service,” and all copyrights to all items designed are for the specific jobsite address only, *and design copyrights, formulas, custom furniture, fixtures or fabrics remain under the ownership of the Architect*. All samples, with the exception of any samples of high value, paid by the Owner shall also remain the property of the Architect’s Library. (Emphasis added.)

See Pet. App. 10.

The referenced “AIA standard contract” provides a non-exclusive license to the owner of a project to use copyrighted plans subject, *inter alia*, to the prompt payment of architectural fees for services rendered:

§ 7.3 Upon execution of this Agreement, the Architect grants to the Owner a nonexclusive license to use the Architect’s Instruments of Service solely and exclusively for purposes of constructing, using, maintaining, altering and

adding to the Project, *provided that the Owner substantially performs its obligations, including prompt payment of all sums when due, under this Agreement.* . . . The license granted under this section permits the Owner to authorize the Contractor, Subcontractors, Sub-subcontractors, and material or equipment suppliers, as well as the Owner's consultants and separate contractors, to reproduce applicable portions of the Instruments of Service solely and exclusively for use in performing services or construction for the Project. . . . (Emphasis added.)

See Pet. App. 12-13.

The AIA standard contract which was held by both parties during the creation of the work also required that an owner obtain the written consent of the architect prior to transferring the license to any other party and that no implied licenses were allowed in any case. Pursuant to the terms of the LOA, Frost-Tsuji and HII exchanged one and only one draft, known as the "greenmark" copy. FTA confirmed within 24 hours in writing back to HII that all the sections were agreeable. These drafts of an AIA B101-2007 standard contract form were intended by both parties during the design phases, and at the time of the "Bid Set" (the set of plans used by the contractor to prepare its pricing on a negotiated basis) completion to replace the LOA and a subsequent Additional Services Agreement. Pet. App. 10. HII repeatedly requested extensions in time to finalize its lease negotiations to the space. Neither HII nor Frost-Tsuji ever proposed any revisions to the

standard section governing copyrights or licenses. The AIA B101-2007 document was held by HII for the concurrent timeframe the architectural work for the Bid Set was being completed. FTA turned in the Bid Set on the basis that the promises made by HII to execute the agreed to terms of the AIA contract constituted the intent of the parties to perform their respective duties. The sole exception that remained was that HII wanted to revise the document to reflect a new entity, HM, as the owner of the restaurant. HII's principal acknowledged she specifically would need an assignment. The LOA (Art. 13) required that the agreement could only be amended in writing. *Id.* Frost-Tsuji never agreed to any assignment.

After HII executed the LOA and during the subsequent design phases, HII held the AIA Contract while Frost-Tsuji worked extensively to create and develop its plans for the Project ("Plans"). Frost-Tsuji never agreed to any transfer of license or release of any part of its "Instruments of Service" or any of its "bundle of rights" under the AWCPA to be used to complete their intended work. HII did acknowledge that it specifically required an assignment to use any work in HM's name. Simultaneously, HII concealed its discussions with the landlord, JKI and Palekana, regarding ownership of the copyrights and use of FTA's design and layout.

The other Defendants included the general contractor, JKI; kitchen equipment consultant, Bargreen; Iwamoto, the structural engineer; Palekana, a certified permit consultant; and the replacement

architect, Uyehara. It is important to note, that all of these entities were the same as under FTA with the exception of Uyehara. All of the Defendants, except Uyehara, had access to FTA's Computer Aided Design ("CAD") materials and were intimately familiar with FTA's work and knew that it had been created by FTA.

Shortly after presenting HII with its "Bid Set" of drawings (fixed and created on March 1 and transmitted on March 5, 2013), HII terminated FTA. At this point, HII had only paid approximately 57% of the fees owed to FTA while later acknowledging in the April Emails that 85% of the work was completed. Significantly, those payments did not cover any work on the Bid Set, a newly copyrighted work, never issued previously to any party. The District Court was incorrect in its summary judgment order that consideration had been paid as this Bid Set was a distinct and separate new work. The point being that "paying something" for a January work, also means that HII "paid nothing" for the Bid Set as it was issued much later under the definition of "created work." *See* 17 U.S.C. § 101. Therefore, FTA was completely within its rights to terminate the LOA for cause.

Less than one month later, early in April 2013, without stating any dissatisfaction of any kind to FTA and despite daily emails, HII's principal covertly exchanged emails with HII's landlord, Kamehameha Schools Bishop Estate ("KSBE"), in which she acknowledged FTA's ownership of the copyright and the need to pay for a license for its use, the so-called "April Emails." These emails were never produced but

sequestered by HII. They were eventually uncovered in preparation for trial following a subpoena to KSBE. This was after months of HII claiming that it was not using FTA's work and that no such Electronically Stored Information ("ESI") or admissions existed. These April Emails were found after HII had certified that it had produced all its email. HII was therefore in violation of the Magistrate Judge's court order in December 2014, over a year after litigation started. Despite Frost-Tsuji's efforts to expose this critical, hidden evidence, the District Court did not sanction HII and refused to grant reconsideration on its various orders based on this new evidence. The District Court compounded this by then rewarding HII for its misconduct by awarding it fees.

Following FTA's termination but prior to the institution of the underlying action, the Defendants made unauthorized copies of FTA's architectural work, stripped it of its attributing Title Blocks and copyright management information ("CMI"), and inserted the title block for the replacement architect. The Defendants then copied the design and CAD files, thereby reproducing the work without authorization. Then the "altered work" was distributed and used to obtain the HII lease and construct the Restaurant. All of this was done while they claimed not to be using FTA's work but rather a "fresh new design" created by the replacement architect, Uyehara. This "altered work" was virtually identical as a whole, and exactly identical in major portions, to the detailed construction documents. Pet. App. 28 n.2. Uyehara requested and

received an indemnification from HII for his use of FTA's work. Even so, he participated in the Defendants' charade that this was a "fresh new design," not shown to FTA but not FTA's work for most of the litigation. Construction on the Restaurant started in May 2013 without a Building Permit. Construction continued without the valid permit and in violation of the Building Code, using FTA's work, for 5 months through September 2013, approximately 30 days before substantial completion. This was in spite of repeated written "cease and desist" notices from FTA's counsel. The Defendants did all this while claiming to be using a "fresh new design" and denying any use of or reference to FTA's work.

2. Review Of Key Procedural Points

Ten months after the initiation of the underlying lawsuit, FTA and HII filed cross motions for summary judgment which were heard simultaneously. FTA's basic argument was that: (1) its agreement and intent with HII was for a long term relationship for the full term of the project; (2) its agreement included standard AIA contract terms which granted FTA exclusive ownership of its work and specifically stated that FTA was the owner of all copyrights; (3) HII had not paid FTA for its work; (4) FTA revoked for cause, based on non-payment, any license which might have once existed upon termination; and (5) FTA did not agree to the licensing of or use of its work to any other individual or entity.

HII argued an implied license later and only after the concept had been raised *sua sponte* by the District Court. This was after months of HII asserting that it had not used FTA's work at all. The District Court contended that payment had been made for the entirety of the work while simultaneously noting that that HII had made only partial payment. Pet. App. 15-16. HII was therefore allowed to not only use all of FTA's copyrighted work but also to create and disseminate derivative works. This was without recognition that no payment had been made for the Bid Set. HII also asserted the right to assign the license without FTA's permission.

Instead of simply denying both motions, the District Court decided to deny FTA's motion and grant HII's motion based upon the finding of an "implied non-exclusive license," primarily relying on *Effects Assocs. Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990), a case decided 6 months before the AWCPA was enacted by Congress superseding any caselaw of a single circuit. The District Court also gave no proper consideration of the well established burden of proof which in a copyright case rests on the party asserting the defense, here HII. The Defendants never met their burden to show how Uyehara obtained the CAD files ("Altered Work"), as FTA had never transmitted its work to another architect. Further, each of the Defendants provided declarations that they had deleted FTA's files from their systems, an assertion also later proven to be false but ignored by the District Court.

Following the partial summary judgments, there was still a trial pending on other issues in the case. During the course of discovery on these other issues, close to trial, and despite a formal Court Order by the Magistrate Judge, the Defendants' significant litigation misconduct was uncovered but overlooked by the District Court despite several attempts to compel enforcement. This misconduct included: (1) failing to disclose proper ESI and emails between HII and its landlord admitting that it did not have rights to the copyright and obtaining permission to use the design would be a problem as HII's principal clearly indicated in the April Emails that she knew HII had no license to use FTA's work and further negotiation would be required for any use of the design; (2) incomplete production of materials including CAD architectural data without the required ESI meta data which would have shown the source of the transmission of CAD data files; (3) failing to acknowledge the removal of FTA's title block and CMI until the depositions of Uyehara and Skip Elkins of Bargreen; (4) use of FTA's work in contravention of legal construction requirements for any use of the work by any party; and (5) disposal of powerful mobile phones used to transmit the CAD files. Ultimately, a partial settlement was reached for the invoiced payments. All of the copyright ownership and license issues were preserved on appeal.

Despite the magistrate judge initially denying the Defendants any fees or costs, the District Court overlooked critical misconduct by the Defendants including HII's concealment (even from the District

Court) of the critical April Emails which showed that it did not have an implied license to use FTA's work. By copying, distributing, reproducing, and constructing the building without the copyright author's permission while denying any need for authorization for construction of the Restaurant and without any attribution to FTA's authorship and copyright, the Defendants collectively, knowingly infringed on FTA's copyright while undertaking illegal acts (e.g., violation of the Building Codes).



REASONS FOR GRANTING THE PETITION

This Court should grant the petition because: (I) the lower courts, by imposing an implied non-exclusive license, are violating the U.S. Constitution and the AWCPA; (II) the courts of appeals are in disarray about how to treat “architectural works” under the AWCPA; (III) the Ninth Circuits’ decisions contravene this Court’s established precedent in *Kirtsaeng* by failing to address the Defendants’ litigation misconduct with regard to copyright fee awards; and (IV) this case presents an ideal vehicle to consider important questions of federal law which affect a major sector of the U.S. economy.

I. The Lower Courts, By Imposing An Implied Non-Exclusive License, Are Violating The U.S. Constitution And The AWCPA.

The U.S. Constitution empowered Congress with the right to pass laws to protect copyrights of authors in Art. 1, § 8, cl. 8. Congress has done so over the years by passing various laws which are presently incorporated into the Copyright Act memorialized in 17 U.S.C. et seq., which also now includes the AWCPA enacted in December 1990 and the Digital Millennium Copyright Act (“DMCA”) enacted in 1998. When Congress passed the AWCPA, recognizing a distinct class of works, it specifically provided the authors of “architectural works” with exclusive rights “to do and to authorize” control and publication of their work. *See* 17 U.S.C. § 106. This section gives copyright holders certain specific exclusive rights including the rights to copy, reproduce, prepare derivative works, and distribute the copyrighted work. In this case, this involves the registered copyrights for both the architectural drawings and the built work itself. The lower courts here denied FTA these exclusive rights by creating an implied license by judicial grant. This was in contravention of the “bundle of rights” contained in the AWCPA and the District Court allowed the Defendants to use all of those exclusive rights without FTA’s permission. This is not within their judicial authority. As Justice Stewart observed in *Fortnightly Corp. v. United Artists*, 392 U.S. 390, 394-95 (1968):

The Copyright Act does not give a copyright holder control over all uses of his copyrighted

work. Instead, § 1 of the Act enumerates several ‘rights’ that are made ‘exclusive’ to the holder of the copyright. If a person, without authorization from the copyright holder, puts a copyrighted work to a use within the scope of one of these ‘exclusive rights,’ he infringes the copyright.

Id. While the precise statutory language may have changed, the Court’s understanding of the scope of an author’s copyright control has not. *See* 17 U.S.C. §§ 102(a)(8) and 106.

Here, the lower courts’ imposition of an implied non-exclusive license to HII violated those constitutional rights and congressional regulations, particularly because Frost-Tsuji was not paid for its work. Specifically, when the lower courts created an implied non-exclusive license to FTA’s “architectural work”, they violated FTA’s exclusive right to control its work particularly against violations and illegal use well outside the scope of any intention. The lower court affirmed FTA’s copyright ownership but then denied FTA any of the associated exclusive rights by refusing to recognize FTA’s intent and its right to control its work. The lower court refused to recognize that FTA had never agreed to an assignment of any one of its “bundle of rights” to HII or HM (much less to another architect to use without any attribution). The lower court also refused to recognize that FTA had terminated any license which might have existed for the use of its work, including specifically the construction of the Restaurant in violation of the

Building Code. This was confounded by the lower courts' refusal to acknowledge the Defendants' deceptive use of FTA's work, their illegal conduct while using FTA's work and their systematic litigation misconduct. The construction without a Building Permit in and of itself should have invalidated any license. This judicial refusal to enforce the provisions of the Copyright Act turns the design and construction industry on its head as it allows a party to violate the copyright owner's rights by failing to pay for the work, then use that same work without its CMI or any attribution with impunity.

II. The Courts Of Appeals Are In Disarray About How To Treat "Architectural Works" Under The AWCPA.

The lower court's error resulted from its misapplication of the factors set out in *Asset Marketing Systems v. Gagnon*, 542 F.3d 748, 754-55 (9th Cir. 2008), which sets out a test for determining the existence of an implied nonexclusive license to use a copyrighted work. In FTA's case, the lower court specifically erred by determining, despite all the evidence to the contrary, that the parties implicitly intended to create a license because, as required by *Gagnon*, the engagement was for a limited duration and a discrete product, rather than an ongoing contractual relationship. This would not have been the result in either the First, Third, Fourth, Sixth or Eleventh Circuits. All the Ninth Circuit cases cited by the District Court in this area, including *Gagnon* and

Foad Consulting Group v. Azzalino, 270 F. 3d 821 (9th Cir. 2001) rely on *Effects* (decided in July 1990) which was literally superseded by AWCPA which was enacted in December 1990.

Both cases are factually distinguishable. Gagnon was not an architect, architectural works were not at issue and the case did not revolve around a specifically protected class of works. Foad Consulting was importantly an engineering firm and was not developing “architectural works.” Foad was also fully paid and contracted specifically to only provide a Zoning Permit under an engineering service agreement. The case did not involve any specific rights under AWCPA. Neither of these cases entailed an “architectural work” as defined by 17 U.S.C. § 101, as did cases in other circuits including *Nelson-Salabes, Inc. v. Morningside Development, LLC*, 284 F. 3d 505 (4th Cir. 2002) and *Johnson v. Jones*, 149 F. 3d 494 (6th Cir. 1998) which both recognized terms and intention of AIA contracts despite remaining unsigned, but held during the course of the ongoing work, including delivery of the works as reflective of a copyright author’s intent.

The court below purported to apply *Gagnon*’s three-part test which determines that a license to use copyrighted work is implied where: (1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes that particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee-requestor copy and distribute his work. Pet. App. 25. As to the issue of the licensor’s

intent in the third part of the test, the court in *Gagnon* also considered the following factors, adopted from the First and Fourth Circuits:

(1) whether the parties were engaged in a short-term discrete transaction as opposed to an ongoing relationship; (2) whether the creator utilized written contracts . . . providing that copyrighted materials could only be used with the creator's future involvement or express permission; and (3) whether the creator's conduct during the creation or delivery of the copyrighted material indicated that use of the material without the creator's involvement or consent was permissible.

Gagnon, 542 F. 3d at 756 (quoting *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 322 F. 3d 26, 41 (1st Cir. 2003) in turn quoting *Morningside* 284 F. 3d at 516). Based on acts very different from those here, the court in *Gagnon* concluded that the licensor's conduct did manifest such an intent. *Gagnon* had placed his software directly onto the Asset Management in-house computers. Here, Frost-Tsuji not only did not provide Uyehara with any of its work, including the CAD files, but stated in writing on several occasions that no other individual or entity should have any right to use the Bid Set. Courts applying the full *Gagnon* test to relationships similar to that here found no such intent, particularly when the parties were engaged in an ongoing relationship that contemplated the architect's long-term involvement with a project. See, e.g., *Morningside*, 284 F. 3d at 516. As noted in *Johnson*:

It is one thing for an architect to allow an owner to hire someone else to build a house from the architect's plans. It is quite another for the architect to allow a competitor to come in and claim the architect's work as his own . . . to put it simply, Johnson's drawings were used in a way he never intended.

Id. at 501.

The District Court relied on *Foad*, but that case is also readily distinguishable. *Foad* concerned a discrete, short-term relationship between the parties for which it was fully paid *Foad*, 270 F.3d at 828. Here, Frost-Tsuji was to be the architect of record throughout the entire project, responsible for conceptual design, design development, and construction administration through the Certificate of Occupancy. Pet. App. 9-10. Further, the contract here was terminated well prior to completion of the full scope of work contemplated, and HII never fully paid Frost-Tsuji. Pet. App. 27-28. The work was never transmitted to Uyehara directly or indirectly by FTA and FTA had no intention that any other architect could willfully use its work and claim it to be by another architect. Importantly, Frost-Tsuji was not paid for the "Bid Set," an entirely newly created work (in accordance with the definitions of 17 U.S.C. § 101 – in particular the terms "created", "derivative work", and "fixed") that the Defendants then used without any payment whatsoever or authorization.

Frost-Tsuji's relationship with HII, in which it was to be involved with the Project from concept through

issuance of the Certificate of Occupancy, is instead analogous to the relationships in *Johnson* and *Morningside Development*, on which the Court in *Gagnon* relied. The architect in *Johnson* had been hired to design the owner's "dream house." *Johnson*, 149 F. 3d at 497. Johnson also submitted to the owner two standard AIA contracts which the owner never signed. The court in *Johnson* held that *the AIA contracts, even though unexecuted, "[spoke] to Johnson's intent; they demonstrate that Johnson created the drawings with the understanding that he would be the architect in charge of the project."* *Id.* at 500 (emphasis added). Thus, copyright infringement occurred when, after the parties could not agree on contract terms, the owner fired Johnson and hired another architect to continue work on the house using Johnson's designs and plans. *Id.* at 499. Johnson's intent and the parties' conduct implied a continuing, ongoing relationship – *not* a mere short-term involvement – and the evidence could not lead to the conclusion that Johnson had granted an implied license to use his plans. *Id.* at 500-01. Significantly, as here, it was irrelevant that the parties did not execute the AIA contracts as the contracts themselves were compelling evidence of the architect's intent. *Id.* While the Fourth and Sixth Circuits reviewed these key standards, they went completely without review here by the Ninth Circuit Panel.

Morningside similarly involved an ongoing relationship as opposed to a discrete, short-term, transaction. As the court in that case observed, the

facts were “somewhere between the situations in *Johnson*, on the one hand,” and the situation described in *Foad Consulting*, on the other. *Morningside Development*, 284 F. 3d at 516. The architect was hired to “develop a schematic building footprint” for a proposed assisted living facility. *Id.* at 509. Although the architect sent three letter agreements and a standard AIA Contract to the original developer, the developer did not sign any of them. The project was later sold, unfinished, to the Defendant and successor developer. *Id.* at 510. After terminating the architect, the successor developer used the architect’s plans to obtain a zoning exception from the zoning board without architect’s involvement. *Id.* at 511. The architect then sued for copyright infringement. *Id.*

Recognizing that the implied nonexclusive license analysis required “examin[ing] the totality of the circumstances” surrounding the copyright owner’s conduct, the analysis turned on the third element of the implied nonexclusive license test: whether the architect intended that the developer use the architect’s drawings in constructing the facility, independent of any future involvement by the architect. *Id.* at 515. The court observed that the architect was not retained to develop plans for the entire project and had created the drawings pursuant to task-specific contracts. Moreover, neither of the task-specific contracts contained language prohibiting future use of the architectural drawings without the architect’s involvement or consent. *Id.* But, the court also observed that the architect and developer “plainly

contemplated” the architect’s “long-term involvement,” as they “engaged in ongoing discussions for more than nine months” concerning the architect’s development of the project. *Id.* at 516. The court also found it important that the architect had submitted contracts to the developer containing “the standard AIA prohibition” against use of the architect’s drawings without the architect’s future involvement or its express consent. *Id.* The court concluded that, under these circumstances, the architect did not intend the developer to use the architect’s drawings in the construction of the project without the architect’s future involvement or express consent. *Id.* at 516-17.

Here, Frost-Tsuji did not enter its relationship with HII intending to perform a discrete task and then hand over its plans for HII and its contractors to use in the Project’s further development and construction. This is evident in the LOA, which described the broad range of architectural and design services Frost-Tsuji was to provide, including *continued consultation on the Project design to Certificate of Occupancy*. [Frost-Tsuji] Scope of Work: Shall include confirming base building suitability and MEP status of existing conditions; Concept, Schematic, Design Development and Construction Document Phases, Construction Administration to Certificate of Occupancy. . . . all interior design, including specifications of materials, finishes, color palette, and including furniture and fabrics.”). The description of full services alone demonstrates that Frost-Tsuji intended to be involved in the Project as a whole, from concept, through

completion of construction, and all the way to the Certificate of Occupancy and first publication of that work with attribution. The circumstances are thus readily distinguishable from those in *Foad*, and analogous instead to *Morningside Development* and, particularly, to *Johnson*.

Frost-Tsuji's intent is also reflected in the parties' mutual agreements concerning the proposed AIA contract "greenmarked" by HII. Frost-Tsuji turned over all of its work product for the Bid Set on the date set by the contractor, JKI, without any changes to the AIA copyright provisions. HII had the benefit and use of FTA's work without payment specifically for the Bid Set, which by definition was a newly copyrighted work, registered specifically in this case well before the final construction and first publication of the work. The lower court never considered that, in fact, while HII promised to sign the AIA agreement (which represented FTA's intent), it held onto that contract for the entire development period of the architectural work which resulted in the Bid Set construction documents. Every issuance of each phase from February to March was a new copyright covered by the AIA. Contrary to the District Court's assertion in the summary judgment order, there was no "holding hostage" of any drawings. FTA turned them in on time believing that the AIA "greenmark" agreement with HII would govern.

As in *Johnson* and *Morningside*, it is irrelevant that the AIA contract was not executed. The unexecuted contract is compelling evidence of

Frost-Tsuji's intent that its plans were not to be used without its future involvement or its express consent. This shows that Frost-Tsuji never intended to grant any implied license, as the draft "greenmarked" contract language at section 7.4 stated that "[e]xcept for the license granted in this Article 7, no other license or right shall be deemed granted or implied." This key provision was not even cited by the District Court. Frost-Tsuji never indicated that HII's use of the Plans without Frost-Tsuji's continued involvement or consent was permissible. Neither party made any changes to the specific clause that no implied license would be granted.

Frost-Tsuji's counsel's letter to HII's counsel, in May 2013 and prior to construction, explicitly terminated any user license and warned that use of the Plans was a copyright infringement. This letter and the subsequent cease and desist letters show that Frost-Tsuji did not grant any license for any of its "bundle of rights" to any individual or entity and never intended to grant an implied license. *See Hanover Architectural Serv., P.A. v. Christian Testimony-Morris, N.P.*, Civ. No. 2:10-5455 (KM)(SCM), 2015 U.S. Dist. LEXIS 64298, at *48 (D.N.J. May 18, 2015) (denying owner's motion for summary judgment on its defense of implied license based on question of fact as to the architectural firm's intent, where firm introduced letters to owner warning that firm's designs were copyrighted and that owner was required to seek firm's permission before using them).

The First Circuit has also adopted the *Morningside* analysis. See *Hevia v. Portrio Corp.*, 602 F. 3d 34 (1st Cir. 2010) where the court outlined the key aspects of “implied license” analysis to include:

1. The *Morningside* court’s list was not exhaustive and, in the final analysis, the copyright owner’s intent in the touchstone for determining whether such an implied license has been granted. *Id.* at 40 citing *Danielson*, 322 F. 3d at 40.
2. That where there are simultaneous cross motions for summary judgment, the district court must view each motion separately. *Hevia*, 602 F. 3d at 40 referring to *Blackie v. Maine*, 75 F. 3d 716, 721 (1st Cir. 1996).
3. Implied licenses and copyright cases are not everyday occurrences and that when an implied license is asserted as a defense, the burden of proving its existence rests on the proponent of the defense. *Hevia*, 602 F. 3d at 41 citing *Danielson*, 322 F. 3d at 40.

See also *T-Peg, Inc. v. Vermont Timber Works, Inc.*, 459 F. 3d 97 (1st Cir. 2006) (which includes an extensive summary of the history and key provisions of the AWCPA). The Eleventh Circuit appears to concur with these substantive and procedural principles. See, e.g., *Latimer v. Roaring Toyz, Inc.*, 601 F. 3d 1224 (11th Cir. 2010). The Third Circuit concurs with the focus on the intent of the copyright holder in determining whether a license can be implied. See, e.g., *AHAdamas &*

Company, P.C. v. Spectrum Health Services, Inc., 40 F. Supp. 3d 456 (E.D. Pa. 2014).

The Ninth Circuit Courts in applying *Effects* and *Foad* as their lodestar have rejected the analysis criteria and process applied in the First, Third, Fourth, Sixth and Eleventh Circuits both substantively and procedurally. It appears that the Fifth and Seventh Circuits apply the same approach as the Ninth Circuit in failing to take the correct analysis into account especially in these cases of “architectural works.” See, e.g., *Estate of Hunn v. Dan Wilson Homes, Inc.*, 783 F. 3d 573 (5th Cir. 2015) and *I.A.E., Inc. v. Shaver*, 74 F. 3d 768 (7th Cir. 1996).

Had Frost-Tsuji’s factual situation been presented in the First (e.g., *T-Peg*); Third (e.g., *Hanover Architectural Services v. Cristial Testimony, Inc.*, WL3462886 (D.N.J. 2015)); Fourth (e.g., *Morningside*); Sixth, (e.g. *Johnson*); or Eleventh Circuits (e.g., *Latimer*), there would have been a completely different outcome. No license would have been “implied” and Frost-Tsuji’s copyright would have been enforced.

III. The Lower Courts’ Decisions Contravene This Court’s Established Precedent In *Kirtsaeng* By Failing To Address Its Directives.

The lower courts, by failing to even consider the decision and listed factors in *Kirtsaeng* have disregarded this Court’s clear precedent to clarify fee awards in copyright cases to specifically include

misconduct. Section 505 of the Copyright Act plainly provides that, in a copyright case, a “court may . . . award a reasonable attorney’s fee to the prevailing party as part of the costs.” Nevertheless, the courts of appeals have long struggled with how to apply that statute.

Prior to this Court’s decision in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 520-21 (1994), the courts of appeals were divided about whether 17 U.S.C. § 505 authorized courts to award attorneys’ fees to “prevailing plaintiffs . . . as a matter of course,” but only to “prevailing defendants . . . [who] show that the original suit was frivolous or brought in bad faith.” This double standard on attorneys’ fees for prevailing Plaintiffs and Defendants was borne out of an old district court precedent from within the Second Circuit that held: “In the case of a prevailing defendant, . . . if an award is to be made at all, it represents a penalty imposed upon the plaintiff for institution of a baseless, frivolous, or unreasonable suit, or one instituted in bad faith.” *Id.* at 532 n.18 (quoting *Breffort v. I Had a Ball Co.*, 271 F. Supp. 623, 627 (S.D.N.Y. 1967)); *see id.* at 521 n.8 (observing that the Second Circuit applied a disparate standard that placed “a greater burden . . . upon prevailing defendants than prevailing plaintiffs”).

Fogerty “reject[ed]” what this Court dubbed the “dual standard” treating prevailing Plaintiffs “differently” from prevailing Defendants. *Id.* at 520, 533. Because “a successful defense of a copyright infringement action may further the policies of the Copyright Act,” “defendants who seek to advance a

variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that Plaintiffs are encouraged to litigate meritorious claims of infringement.” *Id.* at 527. In holding that “[p]revailing plaintiffs and prevailing defendants are to be treated alike,” *id.* at 534, this Court offered “several nonexclusive factors” that courts “may” consider to “guide [their] discretion” under § 505, *id.* at 534 n.19. Those “nonexclusive factors . . . include frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* (citation omitted). This Court made clear, however, that any factors may be used in considering whether to award fees to a prevailing party under the Copyright Act, but only “so long as such factors are faithful to the purposes of the Copyright Act.” *Id.* “[F]aithful[ness] to the purposes of the Copyright Act” was to be the primary “guide” to lower “courts’ discretion.” *Id.* As detailed in *Kirtsaeng* and the AWCPA (in particular 17 U.S.C. §§ 102(a)(8), 103(a), and 301(b)(4)), misconduct and illegal acts invalidate any license, in whatever form, which might have existed.

Ever since *Fogerty*, the courts of appeals have continued to struggle with the standard for awarding attorneys’ fees under § 505. Eight courts of appeals have split at least four ways in considering Defendants’ fee requests under § 505. Those standards range from a presumption in favor of fee awards (Fifth

and Seventh Circuits) to a presumption against fee awards when the losing party's claims or defenses were objectively unreasonable (Second Circuit).

This Court addressed this situation in *Kirtsaeng* as follows: “[A] court may order fee-shifting because of a party’s litigation misconduct, whatever the reasonableness of his claims or defenses.” *Kirtsaeng v. John Wiley & Sons, Inc.*, 579 U.S. ___, No. 15-375, 2016 WL 3317564, at *7 (June 16, 2016). *See also Cohen v. Fair Lawn Dairies, Inc.*, 206 A.2d 585 (N.J. Super. 1965) (implying that an award of attorneys’ fees may be reduced if the party seeking attorneys’ fees litigated in bad faith); *Wei Yan Yan v. 520 Asian Rest. Corp.*, No. 13-CV-2417 KNF, 2015 WL 1026611, at *11 (S.D.N.Y. Mar. 9, 2015), *appeal withdrawn* (Oct. 28, 2015) (reducing awarded attorneys’ fees by 50% due to Plaintiff’s bad faith actions); *McMullen v. Schultz*, 428 B.R. 4, 13 (D. Mass. 2010), *on reconsideration in part*, 443 B.R. 236 (D. Mass. 2011) (reducing the award of attorneys’ fees due to the party’s misconduct).

It is clear from *Kirtsaeng* that a party’s litigation misconduct is a key factor in deciding whether to award a party’s fees in a copyright infringement case. Despite being informed of the Defendants’ litigation misconduct, the District Court failed to address this important factor and the Ninth Circuit Panel wholly disregarded this Court’s precedent by failing to consider this factor. Thus, the lower courts’ decisions render *Kirtsaeng* meaningless in the Ninth Circuit and instead rewards infringers by granting them significant fees.

IV. This Case Presents An Ideal Vehicle To Consider Important Questions Of Federal Law Which Affect A Major Sector Of The U.S. Economy.

The imposition of an implied license and the failure to enforce the provisions of both the AWCPA and the DMCA by the lower courts is especially critical here because the design profession (architects and engineers) are part of a multi-billion dollar per year sector of the U.S. economy. The Architecture, Engineering and Construction (“AEC”) industry is generally considered to compose 6% of the U.S. economy. The predictability of relationships by and between the parties in this industry are critical to the orderly completion of literally hundreds of thousands of design and construction projects each year. The Copyright Act and, in particular the AWCPA, were passed by Congress to insure the uniform treatment of the exclusive rights granted to the authors of “architectural works.” It is important that this uniformity be preserved and these exclusive rights properly recognized.

A. The proper interpretation of a federal statute, particularly one that has explicit origins in the Constitution, is always an issue of significant, national importance. That is just as true today as it was 27 years ago when Congress passed the AWCPA and 23 years ago when this Court granted certiorari to consider the meaning of Section 505 in *Fogerty*. It is also just as true today as it was in *Kirtsaeng*, just two terms ago. In fact, it is even more so as the Ninth

Circuit is actively disregarding the directives this Court provided in *Kirtsaeng* regarding litigation misconduct in a copyright case.

The importance of proper fee determinations has only increased as litigation costs have continued to rise. This Court recognized more than two decades ago in *Fogerty* that it is important that parties “be encouraged to litigate” their “meritorious copyright defenses” and “meritorious claims of infringement.” 510 U.S. at 527. That is because “an award of attorneys’ fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than surrender it because the cost of vindication exceeds the private benefit to the party.” *Assessment Techs. of WI, LLC v. Wireddata, Inc.*, 361 F. 3d 434, 437 (7th Cir. 2004).

The copyright laws, and thus the public good, benefit from meritorious litigation that clarifies the boundaries of the Copyright Act. *See Fogerty*, 510 U.S. at 527. For parties who stand to gain very little monetarily for prevailing – i.e., Plaintiffs seeking small awards and Defendants who “receive[] no [compensatory] award [for prevailing]” – the economic realities of the cost of litigating such a case may “force” that party “into a nuisance settlement or [be] deterred altogether from exercising [their] rights.” *Assessment Techs., Inc.*, 361 F. 3d at 437. This is especially true for “[a] defendant who [when he or she] prevails in copyright litigation vindicates the public’s interest in the use of intellectual property, but without an award of fees the prevailing defendant has only losses to show

for the litigation.” *FM Indus., Inc. v. Citicorp Credit Servs., Inc.*, 614 F.3d 335, 339-40 (7th Cir. 2010). In those circumstances, “an award of attorneys’ fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion.” *Assessment Techs.*, 361 F.3d at 437. Clarification is needed to provide a standard amongst the circuits.

Ensuring that the incentives to continue to pursue meritorious claims and defenses are calibrated properly is particularly important in cases like this one where Frost-Tsuji’s copyright has been affirmed by the District Court and the Registrar of the U.S. Copyright Office, the Defendants-Appellees have admitted they removed FTA’s title block and CMI while claiming from FTA’s termination to be using a “fresh new design,” and not FTA’s work, building the Restaurant without a permit, and then engaging in critical discovery misconduct and misrepresentations. Despite Frost-Tsuji’s acknowledged copyright, both the District Court and the Ninth Circuit Panel failed to give any consideration to the Defendants’ systematic active misconduct, including the failure to produce the April Emails detailed above in the Statement of the Case. Had HII produced these April Emails, much of this litigation would have been unnecessary. In fact, if HII had paid Frost-Tsuji what it owed, all of this could have been avoided but HII chose a path of deceit.

Frost-Tsuji is a party of lesser means, and it is rare that such a small firm would bear witness for the propriety and professional aims to stand up for the

Building Codes they have upheld for over 30 years of practice. Parties with lesser means are more likely to settle or abandon defenses in order to avoid ever-accumulating fees and costs, *Assessment Techs.*, 361 F. 3d at 437, the financial disparity between the parties is important. An impecunious Defendant is far more likely to be forced to settle or abandon his rights because he cannot afford the heavy cost of litigation. If those economic “pressure[s]” force the Defendant to “throw in the towel” and give up meritorious defenses, *id.*, copyright law and the public suffer from the missed opportunity to clarify copyright law and expand public access to original, scholarly works. *See Fogerty*, 510 U.S. at 527; *Kirtsaeng*, 136 S. Ct. at 198.

B. This case is a choice opportunity to examine the standard for awarding fees under the Copyright Act. Not only is this Court already familiar with the Copyright Act issues in this case, but the issues are well delineated. As the District Court already found as fact, it is undisputed that Frost-Tsuji has two copyrights, both registered. Despite this, the District Court disregarded the repeated and proven misconduct by the Defendants. Doing so does not advance the purposes of the Copyright Act. Further, the District Court failed to heed the provisions of the AWCPA and the Constitution by continuing to follow the *Effects* case, decided six months before the enactment of the AWCPA and in complete disregard to the explicit “exclusive rights” given to authors of “architectural works” by congressional statutes.

It is undisputed that Frost-Tsuji's copyright claim was not frivolous or objectively unreasonable. The combination of undisputed issues here frees this Court to reaffirm the proper standard for an award of attorneys' fees under the Copyright Act without getting bogged down in the very different scenario where the losing party's claim was frivolous or objectively unreasonable or subject if a copyright even exists. Here, there is a clear opportunity to rectify the disparate standards between the circuits in architectural works implied license cases, especially those involving the correct application of the AWCPA.

The split amongst the courts of appeals is also cleanly presented and certiorari is needed to create uniformity. Contrary to the analysis that would have been performed in other courts of appeals, the Ninth Circuit here disregarded the clear provisions of the AWCPA and granted an implied non-exclusive license despite: (1) the author's explicit "exclusive rights"; and (2) the written agreement's reference to "the standard AIA terms" regarding copyright with the very specific retention of all copyrights as belonging to the architect. The Ninth Circuit also disregarded: (1) the failure to pay Frost-Tsuji for its work; (2) Frost-Tsuji's written termination of any license to HII; (3) the lack of any signed agreement by Frost-Tsuji to assign the license; (4) the Defendants' misrepresentation that they were not using the work; and (5) the Defendants' illegal acts. That analysis and result would have been different in another circuit, including the First, Third, Fourth, Sixth, and Eleventh Circuits.

It is irrelevant that the Ninth Circuit chose to make its decision here unpublished. The panel applied the Ninth Circuit’s settled (and published) law in the form of *Effects*, among others, which is a discredited analysis framework following the passage of the AWCPA. Accordingly, the instant case provides an appropriate vehicle to consider the disparate approaches of the courts of appeals to fee awards and willful infringement and reckless disregard for the copyright owners rights under the Copyright Act. This Court routinely takes cases where the decision of the court of appeals was unpublished – including eight times just last term alone. *See, e.g., Johnson v. United States*, 135 S. Ct. 2551 (2015); *Mata v. Lynch*, 135 S. Ct. 2150 (2015); *Bank of Am. v. Caulkett*, 135 S. Ct. 1995 (2015); *Henderson v. United States*, 135 S. Ct. 1780 (2015); *United States v. June*, 135 S. Ct. 1625 (2015); *Armstrong v. Exceptional Child Center, Inc.*, 135 S. Ct. 1378 (2015); *Gelboim v. Bank of Am. Corp.*, 135 S. Ct. 897 (2015); *Jennings v. Stephens*, 135 S. Ct. 793 (2015).

Finally, the Supreme Court has never ruled on the exclusive rights provided under the AWCPA. In summary, this case presents an ideal opportunity to: (1) correct the Ninth Circuit’s approach to fee awards under the Copyright Act, which is flatly inconsistent with this Court’s precedent; (2) resolve a split in the circuits that has hopelessly divided the courts of appeals on the issue of the imposition of an “implied non-exclusive license” where there are established copyright regimes at issue; and (3) clarify the provisions of the DMCA with respect to the removal of

marks of attribution and CMI on “architectural works.”



CONCLUSION

For the foregoing reasons, we respectfully request that the Supreme Court should grant the Petition for a Writ of Certiorari.

Respectfully submitted,

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