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IP/ENTERTAINMENT LAW WEEKLY CASE UPDATE FOR MOTION PICTURE STUDIOS AND TELEVISION NETWORKS

January 19, 2011

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Barefoot Architect, Inc. v. Bunge, USCA Third Circuit, January 14, 2011

 [Click here for a copy of the full decision.](#)

- In a copyright infringement action, the Third Circuit holds that a written memorandum need not be contemporaneous to validate a prior oral transfer of a copyright, but rules that there must be extrinsic evidence demonstrating that the prior oral transfer actually took place.

Defendants Sarah Bunge and Thomas Friedberg (“Owners”) hired Michael Milne, vice president and director of architectural firm Village Vernacular, Inc. (“Village”), to build a home in the Virgin Islands in June 1999. After Village decided to move out of the active practice of architecture around 1999 or 2000, Milne formed Barefoot Architect, Inc. (“Barefoot”), to continue his architecture practice. Owners thereafter entered into a contract to engage Barefoot. Following a fee dispute in 2001, Barefoot suspended its architectural services pursuant to the contract, and Owners hired Defendants Tracy Roberts and Springline Architects, LLC to finish the project.

Barefoot sued Owners, Roberts and Springline in 2004, alleging copyright infringement of its home design, and the defendants filed five counterclaims. The district court dismissed three of the five counterclaims in 2007. In 2008, Barefoot and Village executed a Memorandum of Transfer (“Memorandum”), which purported to memorialize an oral transfer of the copyright in the project’s design from Village to Barefoot that occurred on October 5, 1999. Milne signed the Memorandum on behalf of both firms, and Glenn Speer, Village’s president, also signed on his firm’s behalf. Defendants then moved for summary judgment, which the district court granted with respect to the Copyright Act and Lanham Act claims. The district court then dismissed the remaining two counts of the counterclaim because no federal law claims remained in the case and supplemental jurisdiction over the territorial law claims was unwarranted. Barefoot appealed for the reinstatement of the copyright claim. Defendants appealed the dismissal of the tortious interference, breach of contract and breach of fiduciary duty counterclaims.

The Third Circuit reviewed the dismissal and summary judgment decisions *de novo*. Under §



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204(a) of the Copyright Act, no transfer, other than by operation of law, is valid unless it is memorialized by writing and signed by the owner of the rights conveyed. The Memorandum was dated 2008, nearly nine years after the alleged assignment occurred, and more than four years after the lawsuit was filed.

The Third Circuit found that the text of § 204(a) does not specify a time period during which the writing must be consummated, nor does it impose a substantially contemporaneous standard. It thus agreed with the Ninth Circuit, Second Circuit and Eleventh Circuit, and held that where there is no dispute between the transferor and transferee regarding the ownership of a copyright, a writing memorializing that copyright transfer need not be contemporaneous.

However, for a writing to validate the past transfer, the past transfer must have actually occurred. Because the Memorandum was allegedly assigned by Village, acting through Milne, and assigned to Barefoot, also acting through Milne, the Third Circuit required evidence other than the Memorandum to prove that the transfer actually occurred. Barefoot proffered a pair of checks that allegedly represented consideration for the transfer of the architecture project.

However, even if the checks were part of a general transfer, such an exchange would not have necessarily required a copyright transfer. The record contained nothing to show that Barefoot bought the copyright, and the checks were of little evidentiary weight. Barefoot also proffered the contract signed by Owners and Barefoot as evidence of copyright ownership, where a stipulation provided that Barefoot would retain all copyrights. However, the court noted that this stipulation would be meaningless if Village owned the copyright all along.

Because none of the proffered evidence other than the Memorandum would permit a jury to conclude that an oral transfer took place, the Third Circuit affirmed the district court's summary judgment for the Owners.

The Third Circuit vacated the district court's dismissal of the tortious interference with contractual relations counterclaim. It found that the counterclaimants adequately alleged a § 766A claim, which allows a plaintiff to recover if he himself was forced either to fail to perform under a contract or to perform under more expensive or burdensome circumstances. The counterclaimants adequately pleaded that Barefoot engaged in a course of action that caused a delay in obtaining a permit and a consequent delay in construction. Though Barefoot raised a waiver defense because the counterclaimants raised a § 766, rather than § 766A, claim during the district court briefing, the rule is discretionary. The Third Circuit found that there is no evidentiary deficiency in addressing this claim, nor is there surprise or prejudice because the counterclaim's allegations address the delay even though the brief invoked the wrong section and thus declined to dismiss based on waiver.

The Third Circuit also found that the a statute of limitations argument cannot justify dismissal because the Virgin Islands discovery rule tolls the statute of limitations for tort



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suits when the injury or its cause is not immediately evident to the victim, and pleading does not reveal when the limitations period began to run.

The Third Circuit also vacated the district court's dismissal of the breach of contract and of fiduciary duty claims. It found that diversity jurisdiction existed because Owners are California citizens, and Barefoot is a Virgin Islands citizen. The existence of Roberts and Springline, both Virgin Islands citizens, as defendants did not destroy complete diversity. Roberts and Springline did not voluntarily avail themselves of the federal forum. They were named as defendants and were forced to raise their compulsory counterclaims or lose them. Accordingly, the Third Circuit found that federal subject-matter jurisdiction attached to the counterclaims and vacated the district court's decision.

Cabell v. Sony Pictures Entertainment, Inc., USDC S.D. New York, January 7, 2011

 [Click here for a copy of the full decision.](#)

- In copyright infringement action against producers of the motion picture *You Don't Mess With the Zohan*, court awards defendants \$1,000 in attorney's fees after considering plaintiff's financial circumstances.

Plaintiff Robert Cabell sued defendants, alleging that the motion picture *You Don't Mess With the Zohan* and its marketing materials infringed his copyrights in works featuring a character named Jayms Blonde. The district court [granted defendants' motion for summary judgment](#), and then moved for \$568,485.63 in attorney's fees and \$767.78 in costs. The court granted the motion, but reduced the amount to \$1,000 in fees.

The Copyright Act permits a court "in its discretion" to award costs, including a "reasonable attorney's fee," to the prevailing party in a copyright infringement action, based on several factors including frivolousness, motivation, objective unreasonableness, and the need to advance considerations of compensation and deterrence. A claim is objectively unreasonable if it is "clearly without merit or otherwise patently devoid of legal or factual basis." *Hudson v. Universal Studios, Inc.*, 04 Civ. 6997, 2009 U.S. Dist. LEXIS 18729 (S.D.N.Y. Mar. 4, 2009).

Defendants argued that fees and costs are warranted because Cabell's claims were objectively unreasonable. Defendants also contended that Cabell's blanket assertions that defendants' various works violate "all" of his depictions of Jayms Blonde evidenced frivolousness and bad faith. The court agreed and held that Cabell's claims were objectively unreasonable and that an award is warranted.

According to the court, in deciding the amount of fees and costs to award, courts may consider a party's financial circumstances, citing *Shangold v. The Walt Disney Co.*, No. 03 Civ. 9533, 2006 U.S. Dist. LEXIS 73541 (Oct. 11, 2006). Cabell claimed that he earned less than \$10,000 in each of the last three years, that he does not own a car or any real estate, and has less than \$2,000 in his bank accounts. The court also noted that Cabell's landlord



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filed nine eviction notices against him between 2001 and 2007, and Cabell has seventeen liens and judgments recorded against him. "Taken together, these facts demonstrate that an award approaching \$500,000 — or even the \$50,000 sum Defendants suggest in their reply — would far exceed the Congressional goal of discouraging frivolous litigation. Therefore, this Court awards Defendants \$1,000." (citation omitted)

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