

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Judge Philip A. Brimmer

Civil Action No. 11-cv-02891-PAB-MJW

DAVID M. SHELTON and
DESIGNSENSE, INC.,

Plaintiffs,

v.

MRIGLOBAL, a non-profit corporation, formerly Midwest Research Institute
its National Renewable Energy Laboratory Division, and
ALLIANCE FOR SUSTAINABLE ENERGY, LLC,

Defendants.

ORDER

This matter is before the Court on Defendants' Motion for Award of Full Costs Pursuant to Fed. R. Civ. P. 54(d) and 17 U.S.C. § 505 [Docket No. 75] filed by defendants MRIGlobal and Alliance for Sustainable Energy, LLC ("Alliance").

I. BACKGROUND

Plaintiff DesignSense, Inc. entered into a subcontract with Midwest Research Institute, now defendant MRIGlobal ("MRI"), relating to the U.S. Department of Energy's operation and management of the National Renewable Energy Laboratory in Golden, Colorado. Plaintiffs alleged that, pursuant to that subcontract, they were to "provide design-build support services including providing to MRI a derivative work of it's [sic] copyrighted and proprietary 3PQ [Request for Proposal ("RFP")] structure." Docket No. 25 at 5, ¶ 16. "The 3PQ RFP structure is a proprietary format developed by [plaintiff] David M. Shelton and licensed to DesignSense to create derivative works to assist

owners like the Department of Energy to manage and control the design and build process for buildings.” Docket No. 25 at 5, ¶ 18. Plaintiffs alleged that defendants revealed the copyrighted “3PQ RFP structure” on the internet without proper attribution in violation of the Copyright Act. *Id.* at 16-17, ¶¶ 83-91. Plaintiffs also brought a claim under the Lanham Act, 15 U.S.C. § 1125, and a number of state law claims related to the subcontract.

On February 15, 2012, defendants filed a motion to dismiss on all claims. Docket No. 34. On September 28, 2012, the Court dismissed plaintiffs’ Copyright and Lanham Act claims for failure to state a claim. Docket No. 63 at 7. Pursuant to 28 U.S.C. § 1367(c)(3), the Court declined to exercise supplemental jurisdiction over plaintiffs’ state law claims and dismissed plaintiffs’ state law claims without prejudice. *Id.*

On August 6, 2013, defendants filed a motion under 17 U.S.C. § 505, seeking \$60,733 in attorneys’ fees and \$1,811.66 in costs. Docket No. 75.

II. ANALYSIS

[T]he court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney’s fee to the prevailing party as part of the costs.

17 U.S.C. § 505. A party in “copyright actions may be awarded attorney’s fees simply by virtue of prevailing in the action: no other precondition need be met, although the fee awarded must be reasonable.” *Frank Music Corp. v. Metro-Goldwyn-Mayer Inc.*, 886 F.2d 1545, 1556 (9th Cir. 1989). “Prevailing plaintiffs and prevailing defendants are to be treated alike,” but whether fees should be awarded to the prevailing party is left to

the court's discretion. See *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994).

Accordingly, where the Court granted defendants' motion to dismiss plaintiffs' copyright claim, the Court finds that defendants are prevailing parties under § 505.

A. Attorneys' Fees

In determining whether to award fees under § 505, the court must consider the following nonexclusive factors: "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." *Fogerty*, 510 U.S. at 534 n.19 (internal quotation marks omitted); see also *Palladium Music, Inc. v. EatSleepMusic, Inc.*, 398 F.3d 1193, 1200 (10th Cir. 2005) (approving use of *Fogerty* factors).

Defendants first argue that plaintiffs' claim was frivolous and objectively unreasonable because the claim was based upon a process or set of ideas, which are not protected by copyright law. Docket No. 75 at 7. A copyright infringement claim is "objectively unreasonable when the claim is clearly without merit or otherwise patently devoid of a legal or factual basis." *Porto v. Guirgis*, 659 F. Supp. 2d 597, 617 (S.D.N.Y. 2009) (internal quotation marks omitted) ("similarities alleged by the plaintiff are unprotectible elements").¹ "In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery." 17 U.S.C. § 102(b). As such, alleged similarities

¹Courts often consider the frivolousness and objective unreasonableness factors together. See, e.g., *ZilYen, Inc. v. Rubber Mfrs. Ass'n*, 958 F. Supp. 2d 215, 220 (D.D.C. 2013).

between a copyrighted work and an allegedly infringing work cannot be based upon unprotectible ideas. See *Mallery v. NBC Universal, Inc.*, 2008 WL 719218, *2 (S.D.N.Y. Mar. 18, 2008). In granting defendants' motion to dismiss, the Court found: "To the extent plaintiffs contend that their 'format' or 'structure,' i.e., some sort of process or set of ideas, is protected by copyright, their claim clearly fails." Docket No. 63 at 4-5. However, plaintiffs' copyright claims were dismissed pursuant to Rule 12(b)(6) based on a failure to properly plead the claims. The record is insufficient for the Court to conclude factually that plaintiffs' copyright claim was wholly, or even substantially, based upon unprotectible processes or ideas. See *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 9 F.3d 823, 833 (10th Cir. 1993) (recognizing difficulty of determining which elements of a computer software program are protected by copyright). Moreover, defendants offer no additional facts in support of their argument. Thus, the Court lacks a sufficient basis upon which to determine objective unreasonableness.

Second, defendants argue that plaintiff unreasonably failed to allege facts indicating a substantial similarity between plaintiffs' registered material and defendants' posted material. Docket No. 75 at 7. "Substantial similarity' is the operative term in infringement cases, meaning a determination of 'whether the accused work is so similar to the plaintiff's work that an ordinary reasonable person would conclude that the defendant unlawfully appropriated the plaintiff's protectible expression by taking materials of substance and value.'" *Home Design Services, Inc. v. Starwood Constr., Inc.*, 801 F. Supp. 2d 1111, 1118 (D. Colo. 2011) (quoting *Country Kids 'N City Slicks, Inc. v. Sheen*, 77 F.3d 1280, 1288 (10th Cir. 1996)). Plaintiffs allege that the 3PQ RFP

structure was registered with the United States Patent and Trademark office and argue that their complaint made an attempt to allege a substantial similarity between plaintiffs' registered material and defendants' posted material. See Docket No. 25 at 5-6, ¶¶ 19, 24-26. Although the Court found that plaintiffs failed to allege substantial similarity, defendants fail to show that such failure compels a conclusion that plaintiffs' claim was frivolous or objectively unreasonable. See *Jovani Fashion, Ltd. v. Cinderella Divine, Inc.*, 820 F. Supp. 2d 569, 573 (S.D.N.Y. 2011) ("The grant of a motion to dismiss does not in itself render a claim unreasonable."). The cases that defendants rely upon were based on a factual finding of dissimilarity, a state of the case not reached here. As such, the Court lacks a sufficient basis upon which to conclude that plaintiffs' deficient pleading, by itself, renders plaintiffs' copyright claim frivolous or objectively unreasonable.

Third, defendants argue that plaintiffs' copyright claim was objectively unreasonable because the contract between the parties granted defendants "unlimited rights" to plaintiffs' work product. Docket No. 75 at 9. Upon finding that plaintiffs failed to sufficiently allege substantial similarity, the Court expressly declined to reach the issue of whether the subcontract granted defendants an unlimited right to use the 3PQ RFP structure. Docket No. 63 at 6 n.4. Determining whether defendants had unlimited rights under the subcontract would require the Court to construe the subcontract and likely require the Court to reach the merits of plaintiffs' breach of contract claim – a claim the Court dismissed for lack of subject matter jurisdiction. See *Bridgeport Music, Inc. v. Sony Music Entm't, Inc.*, 114 F. App'x 645, 652 (6th Cir. 2004) (noting that material breach of a covenant could, under some circumstances, "allow the licensor to

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