IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

LOTHAN VAN HOOK DESTEFANO ARCHITECTURE LLC,	)	
Plaintiff,	)	**18 C 275**
v.	)	**Judge John Z. Lee**
SB YEN MANAGEMENT GROUP, INC. and PAPPAGEORGE HAYMES, LTD.,	)	
Defendants.	)	

MEMORANDUM OPINION AND ORDER

Plaintiff, Lothan Van Hook DeStefano Architecture, LLC ("LVDA"), has brought this copyright infringement lawsuit against Defendants, SB Yen Management Group, Inc. ("SBY") and Pappageorge Haymes, Ltd. ("Pappageorge"). SBY has filed a motion [15] asking that the Court: (1) dismiss the complaint for lack of jurisdiction; (2) compel mediation and arbitration; (3) dismiss the complaint for failure to state a claim; or (4) stay the proceedings. For the reasons stated herein, the request to dismiss for lack of subject-matter jurisdiction is denied, but the request to compel mediation and arbitration is granted. This case is stayed pending the resolution of arbitration proceedings.

Background[1]

This case arises out of a dispute over architectural plans for the construction of a hotel at 1101 S. Wabash Avenue in Chicago, Illinois. Compl. ¶¶ 2, 8–9, ECF No.

[1] The following facts are taken from LVDA's complaint and are accepted as true at the motion-to-dismiss stage. *See Tamayo v. Blagojevich*, 526 F.3d 1074, 1081 (7th Cir. 2008).

1. LVDA is a Chicago-based architecture firm. *Id.* ¶ 1. SBY is a corporation based in Hinsdale, Illinois, that manages the property at 1101 S. Wabash ("the Hotel Property"). *Id.* ¶ 2. Pappageorge, a Chicago-based corporation, is the current architect for the Hotel Property. *Id.* ¶ 3.

According to LVDA, it entered into a contract with the owner of the Hotel Property, through its "duly authorized agent" SBY, on May 11, 2015. *Id.* ¶ 8.[2] Pursuant to that contract, LVDA created architectural and engineering plans for the construction of a hotel. *Id.* ¶ 9. Subsequently, on July 25, 2017, the owner (through SBY) terminated the contract with LVDA "for convenience" and informed LVDA that construction would continue based on LVDA's architectural plans. *Id.*

LVDA owns copyrights in the architectural plans, which "contain wholly original text" and "pictorial/graphic works" that constitute "copyrightable subject matter." *Id.* ¶¶ 12–13. LVDA informed Defendants that they had no right to continue using the architectural plans, but Pappageorge ignored this warning and has done so, and SBY has overseen construction based on the plans. *Id.* ¶¶ 15–16, 18. To date, LVDA has received no compensation for the unauthorized use of the plans. *Id.* ¶ 20.

LVDA filed a complaint seeking relief pursuant to 17 U.S.C. §§ 502 through 505 ("the Copyright Act"). SBY has moved to dismiss the complaint for lack of subject-

---

[2] The complaint states that the owner of the property is "11th St. Wabash LLC." *Id.* By contrast, the contract defines "Owner" to be SBY, and not the LLC. Because LVDA has provided a copy of the contract and it is central to its claims, the Court may rely upon it when ruling on the present motion. *See Williamson v. Curran*, 714 F.3d 432, 436 (7th Cir. 2013) (stating that, at the motion-to-dismiss stage, a court may consider "documents that are attached to the complaint [and] documents that are central to the complaint and are referred to in it").

matter jurisdiction, compel mediation and arbitration, dismiss for failure to state a claim, or stay pending resolution of state-court proceedings.

Legal Standard

I. Federal Rule of Civil Procedure 12(b)(1)

A motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(1) tests the jurisdictional sufficiency of the complaint. "When ruling on a motion to dismiss for lack of subject matter jurisdiction under [Rule] 12(b)(1), the district court must accept as true all well-pleaded factual allegations, and draw reasonable inferences in favor of the plaintiff." *Ezekiel v. Michel*, 66 F.3d 894, 897 (7th Cir. 1995). But "[t]he district court may properly look beyond the jurisdictional allegations of the complaint and view whatever evidence has been submitted on the issue to determine whether in fact subject matter jurisdiction exists." *Capitol Leasing Co. v. F.D.I.C.*, 999 F.2d 188, 191 (7th Cir. 1993) (quoting *Grafon Corp. v. Hausermann*, 602 F.2d 781, 783 (7th Cir. 1979)).

"[I]f the complaint is formally sufficient but the contention is that there is *in fact* no subject matter jurisdiction, the movant may use affidavits and other material to support the motion." *United Phosphorus, Ltd. v. Angus Chem. Co.*, 322 F.3d 942, 946 (7th Cir. 2003) (emphasis in original), *overruled on other grounds by Minn-Chem, Inc. v. Agrium, Inc.*, 683 F.3d 845, 848 (7th Cir. 2012). "The burden of proof on a 12(b)(1) issue is on the party asserting jurisdiction." *Id.*

II. Federal Arbitration Act

The Federal Arbitration Act ("FAA") mandates that courts enforce valid, written arbitration agreements. *Tinder v. Pinkerton Sec.*, 305 F.3d 728, 733 (7th Cir. 2002) (citing 9 U.S.C. § 2). This mandate reflects a federal policy that favors arbitration and "places arbitration agreements on equal footing with all other contracts." *Buckeye Check Cashing, Inc. v. Cardegna*, 546 U.S. 440, 443 (2006). Courts are responsible for deciding whether an agreement to arbitrate exists before ordering arbitration. *Janiga v. Questar Capital Corp.*, 615 F.3d 735, 741–42 (7th Cir. 2010). Once a court is satisfied that an agreement to arbitrate exists, the FAA instructs the court to stay proceedings on issues subject to arbitration and provides a mechanism for parties to request that the court compel arbitration pursuant to the agreement. 9 U.S.C. §§ 3–4; *see also Tinder*, 305 F.3d at 733.

A party opposing a motion to compel arbitration bears the burden of identifying a triable issue of fact as to the existence of the purported arbitration agreement. *Tinder*, 305 F.3d at 735. The opponent's evidentiary burden is akin to that of a party opposing summary judgment under Rule 56. *Id.* "[A] party cannot avoid compelled arbitration by generally denying the facts upon which the right to arbitration rests; the party must identify specific evidence in the record demonstrating a material factual dispute for trial." *Id.* The Court must believe the evidence of the party opposing arbitration and draw all justifiable inferences in its favor. *Id.* If the party opposing arbitration identifies a genuine issue of fact as to whether an arbitration

agreement was formed, "the court shall proceed summarily to the trial thereof." 9 U.S.C. § 4; *see Tinder*, 305 F.3d at 735.

Analysis

SBY requests multiple types of relief, urging the Court to dismiss for lack of jurisdiction or for failure to state a claim, compel mediation and arbitration, or stay the proceedings. As always in cases like this, the Court begins with the threshold issues of jurisdiction and arbitrability.

I. Rule 12(b)(1) Dismissal

SBY first contends that this action should be dismissed for lack of subject-matter jurisdiction pursuant to Rule 12(b)(1). SBY argues that LVDA's purported copyright infringement claim is actually a state-law contract claim in disguise. The real dispute, in SBY's view, is whether LVDA's contract gave Defendants a license to use LVDA's architectural plans. That, SBY contends, is a question of state law, rather than one governed by the Copyright Act.

LVDA counters that the claim arises under federal copyright law, rather than state contract law, because it seeks remedies only available under the Copyright Act. It contends that, because Defendants never had the right to use LVDA's copyrighted works in the first place, the copyright infringement claim cannot be resolved solely as a matter of contract. In LVDA's view, SBY was never a party to the contract, so it cannot enforce it. And, what is more, the contract granted the Owner a license to use the architectural plans *only* if the Owner paid LVDA all sums due under the contract, which LVDA contends the Owner failed to do.

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.