

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

KINON SURFACE DESIGN, INC.,)	
)	
<i>Plaintiff,</i>)	
)	No. 19 C 7736
v.)	
)	Judge Virginia M. Kendall
HYATT INTERNATIONAL CORP.,)	
HYATT INTERNATIONAL TECHNICAL)	
SERVICES, INC., HYATT OF CHINA, LTD.,)	
HYATT INTERNATIONAL HOTEL)	
MANAGEMENT (BEIJING) CO., LTD., and)	
CHINA RESOURCES (DALIAN) CO., LTD.,)	
)	
<i>Defendants.</i>)	

MEMORANDUM OPINION AND ORDER

Kinon Surface Design (“Kinon”) is a Florida corporation that designs decorative panels for placement in hotels, residences, retail establishments, offices, and the like. In 2010, an interior design firm working on the soon-to-be-constructed Grand Hyatt Dalian (the “Hotel”) in China purchased two panels from Kinon for use as sample headboards for the Hotel. The design company then sought a quote for Kinon to supply headboards for all the guestrooms in the new Hotel, but the parties could not come to an agreement. Years later, Kinon discovered that all guestrooms in the Hotel were outfitted with headboards identical to the two panels that the design firm had purchased. Believing that these headboards were copies of its copyrighted designs, Kinon filed a series of lawsuits alleging violations of U.S. and Chinese copyright law.

The first of these cases, “*Kinon I*,” 18 CV 81065, which Kinon brought against Hyatt Corporation for copyright infringement in the Southern District of Florida, resulted in a jury verdict of no liability. Kinon then filed and voluntarily dismissed the second case (“*Kinon II*”), which it brought in the Southern District of Florida against several travel websites, China Resources, Hyatt

International Corporation (“HIC”), Hyatt International Technical Services (“HITS”), Hyatt of China (“HOC”), and Hyatt International Hotel Management (“HIHM”) for the same alleged infringement. In the instant case, Kinon alleges copyright infringement against HIC, HITS, HOC, and HIHM (collectively, the “Hyatt Defendants”) as well as China Resources.

The Hyatt Defendants now move to dismiss the claims against them on the grounds that (1) issue preclusion and judicial estoppel bar this action; (2) the Court lacks subject matter jurisdiction; (3) the Court lacks personal jurisdiction over HOC and HIHM; (4) the suit is time-barred under the Copyright Act’s limitations period; and (5) the common-law doctrine of forum *non conveniens* dictates that this case should be tried in China, not the United States. China Resources also moves to dismiss because (1) the Court lacks personal jurisdiction over it; (2) Kinon did not properly effect service on it; and (3) pursuant to the doctrine of forum *non conveniens*, China is a more appropriate forum for this litigation. For the reasons set forth below, the Hyatt Defendants’ Motion to Dismiss (Dkt. 59) is granted in part and denied in part, and China Resources’ Motion to Dismiss (Dkt. 66) is granted

BACKGROUND

I. The Work

Richard Satz is the founder and President of Kinon. (Dkt. 1 ¶ 8.) He created the proprietary and patented resin and manufacturing process that Kinon uses to manufacture its panels. (*Id.*) Kinon designs are protected by copyright. (*Id.*)

In or about 2010, a Singapore-based interior design firm, LTW Designworks, contacted Kinon concerning the construction of the Hotel in Dalian, China. (*Id.* ¶¶ 25–26.) Kinon proceeded to work with LTW to design what would become the Work for use as headboards in the Hotel’s guestrooms. (*Id.* ¶¶ 28, 35.) LTW then procured two sheets of the Work for use in the mock-up

rooms constructed for the purpose of evaluating interior designs specified for the Hotel. (*Id.* ¶ 37.) China Resources was the purchaser of the two sheets. (Dkt. 1 ¶ 38.) China Resources proceeded to install the two sheets in the mock-up rooms set up in trailers on the construction site. (*Id.* ¶ 39.)

On July 21, 2011, Satz and Michael Weiner, Kinon's Vice President of Sales, traveled to Dalian at Kinon's expense to meet with Zhang Wei, the individual in charge of the Hotel's construction. (*Id.* ¶ 41.) Wei requested an estimate for 750 panels. (*Id.* ¶ 43.) Kinon provided an estimate in the amount of \$1,749,180. (*Id.* ¶ 47.) Wei then requested a lower price and Kinon offered a final estimate of \$1,592,900. (*Id.* ¶ 49.) LTW later informed Kinon that it had chosen to source less expensive materials for the Hotel's headboards. (Dkt. 1 ¶ 51.)

Years later, in 2016, Satz visited the Hotel's website at www.dalian.grand.hyatt.com/en/hotel to see if he could discern what headboards the Hotel had chosen. (*Id.* ¶ 52.) While visiting the site, Satz noticed that the photographs advertising the rooms appeared to show the Work being used as headboards in the guest rooms. (*Id.* ¶ 53.) Unsure whether these photos were from the mock-up rooms for which Kinon provided the sample boards, he searched for photos of the Hotel posted by visitors on tripadvisor.com. (*Id.* ¶ 55.) In early 2018, he began to notice visitors posting pictures of guest rooms on various travel websites that depicted the Work as headboards. (*Id.* ¶ 57.)

China Resources, with the knowledge and consent of the Hyatt Defendants, took the two samples of the Work that Kinon sold to China Resources and used them to produce a cheaper version of the same design. (*Id.* ¶ 59.) HIC contracted a photographer to take photos of the Work and distribute them on its website to promote the Hotel's business around the world. (*Id.* ¶ 61.) None of the Hyatt entities have ever been licensed to copy, distribute, or display the Work. (*Id.* ¶ 64.)

II. Defendants' Agreements

The Defendants have each entered into a variety of agreements with one another. Pursuant to agreements with HOC, HIHM, and HITS, China Resources granted those three entities the right and ability to supervise and control China Resources' activities concerning the Grand Hyatt Dalian. (Dkt. 1 ¶ 76–78.) Those three entities also received a direct financial interest in China Resources' activities concerning the Hotel. (*Id.*) HOC's Agreement also gave HOC the exclusive right to determine the form and presentation related to Hyatt names in marks related to the Hotel. (*Id.* ¶ 76.) The HIHM Agreement also gave HIHM the duty to oversee design recommendations and the design of the mock-up rooms. (*Id.* ¶ 77.) The HITS Agreement gave HITS the right to review and approve specifications for “carpeting, wall coverings, fabrics, etc.” (*Id.* ¶ 78.) Finally, China Resources and HIC entered into the Trademark Agreement whereby China Resources granted HIC the right to supervise and control China Resources' use of HIC's trademarks in connection with the Hotel as well as a direct financial interest in the trademarks' usage. (*Id.* ¶ 79.)

HIC also entered into the Photograph Agreement with photographer Geoff Lung whereby HIC obtained a worldwide perpetual license to use photographs taken by Lung of the Hotel in all media for all purposes. (Dkt. 1 ¶ 81.)

Kinon owns a valid copyright in the Work and has registered the Work with the Register of Copyrights pursuant to 17 U.S.C. § 411(a). (*Id.* ¶¶ 87–88.) Kinon also owns a copyright of the Work under Chinese Copyright Law. (*Id.* ¶ 130.)

III. *Kinon I*

Kinon I, the case brought against Hyatt Corporation in the Southern District of Florida, went to a jury trial. Using a special verdict form, the jury made, *inter alia*, the following determinations by the preponderance of the evidence. First, Kinon is the entity that “actually

created or owns [the Work].” (Dkt. 34-1 at p. 1.) Second, the Work was original to its author and it possess at least a minimal degree of creativity. (*Id.* at p. 2.) Third, Kinon registered the Work with the United States Copyright Office on January 1, 2015. (*Id.*) Fourth, Hyatt Corporation did not copy Kinon’s work. (*Id.* at p. 3.) Fifth, Hyatt Corporation did not have access to the Work. (*Id.*) Sixth, the photos that appeared on hyatt.com are strikingly similar to the Work such that the similarity was unlikely to occur unless there was copying. (*Id.* at p. 4.) Seventh, the jury did not find that the accused photos on hyatt.com were independently created nor that they were not copied—the logical inference being that they were not independently created and were copied. (Dkt. 34-1 at p. 4.) Eighth, the Work has no intrinsic, functional use beyond displaying the appearance of the Work or conveying useful information. (*Id.*) Ninth, Kinon suffered a loss, but Hyatt Corporation did not cause the loss. (*Id.* at p. 5.)

DISCUSSION

I. Issue Preclusion

The Hyatt Defendants first move to dismiss on the grounds that the issue of infringement related to the posting of pictures on hyatt.com was already litigated in *Kinon I* such that issue preclusion bars this action. Following the verdict in *Kinon I*, Kinon filed *Kinon II*, which is substantially similar to the instant action. HIC and HITS are both headquartered in Illinois and it appeared they could defeat personal jurisdiction in Florida, so Kinon dismissed *Kinon II* without prejudice.

In order to successfully invoke issue preclusion, the Hyatt Defendants must demonstrate that: (1) the issue sought to be precluded is the same as an issue in *Kinon I*, (2) the issue must have been actually litigated in *Kinon I*, (3) the determination of the issue must have been essential to the final judgment, and (4) the party against whom issue preclusion is invoked must have been

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.