UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION

CASE NO. 99-6685-CIV-JORDAN

STENOGRAPH, LLC,

Plaintiff,

vs.

ADVANTAGE SOFTWARE, INC., et al.,

Defendants.

ORDER ON MOTIONS FOR SUMMARY JUDGMENT REGARDING STENOGRAPH'S CLAIM FOR COPYRIGHT INFRINGEMENT

Stenograph sues Advantage, Gregory Seely, Portia Seely, Stenotech, Kerry Brunner, and Sandra Brunner for copyright infringement, trade secret misappropriation, intentional interference with contractual relations, conversion, common law and statutory unfair competition, common law civil conspiracy, and common law aiding and abetting. *See* Second Amended Complaint for Damages, Injunction and Other Relief ("Compl.") [D.E. 122]. Advantage countersues Stenograph for statutory and common law trade disparagement, trade secret misappropriation, interference with a contractual relationship, common law and statutory unfair competition, copyright infringement, unlawful monopolization, and unlawful attempted monopolization. *See* Counterclaim by Advantage [D.E. 166]. Stenotech countersues Stenograph for interference with a contractual relationship and interference with an advantageous business relationship. *See* Counterclaim by Stenotech, Inc. [D.E.168]. All three parties seeks injunctive and monetary relief, attorneys' fees, and costs.

On June 21, 2001, I struck Stenograph's demand for punitive damages under its trade secret misappropriation claim, *see* Compl. ¶ f, p.29. *See* Order Granting in Part Motion to Strike [D.E. 149]. I also struck Stenograph's demands for third party profits, *see* Compl. ¶¶ 80, 92, 106, 111; e, p.26, ¶ e, p.29, ¶ e, pp.38-39, ¶ e, p.41. *See* Order Denying Motion to Dismiss and Granting Motion to Strike ("June 21, 2001 Order") [D.E. 150]. On June 28, 2002, I granted Stenograph summary judgment on, and dismissed Advantage's counterclaims for copyright infringement and trade secret

misappropriation. *See* Order Granting Stenograph's Motion for Summary Judgment on Advantage's Copyright Infringement and Trade Secret Misappropriation Counterclaims [D.E. 368].

Stenograph now moves for summary judgment on its copyright infringement, trade secret misappropriation, and conversion claims, Advantage's unlawful monopolization, attempted unlawful monopolization, statutory trade disparagement, and common law trade disparagement counterclaims, and Stenotech's intentional interference with contractual relations and intentional interference with advantageous business relations counterclaims. *See* Stenograph's Motion for Summary Judgment ("Stenograph Sum. J. Mot.") [D.E. 506]. Advantage and the Seelys move for summary judgment on all of Stenograph's claims. *See* Advantage's and Seelys' Motion for Summary Judgment and Memorandum of Law in Support Thereof ("Advantage Sum. J. Mot.") [D.E. 420]. Stenotech joins in Advantage's summary judgment motion, and independently moves for summary judgment on Ms. Brunner's individual liability for copyright infringement, and any state-law torts. *See* Stenotech's Motion for Summary Judgment [D.E. 417]. This order deals only with the pending motions for summary judgment insofar as they relate to Stenograph's claim for copyright infringement. A separate companion order addresses the parties' pending motions for summary judgment as they relate to the other claims and counterclaims.

I. Relevant Standard

Summary judgment "shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Rule 56©. A material fact is one that might affect the outcome of the case. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). Where the non-moving party fails to prove an essential element of its case for which it has the burden of proof at trial, summary judgment is warranted. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986); *Hutton v. Strickland*, 919 F.2d 1531, 1536 (11th Cir. 1990).

Mere conclusory allegations or claims asserting legal conclusions are not sufficient. *See Bennett v. Parker*, 898 F.2d 1530, 1534 (11th Cir. 1990). The task is determining whether, considering the evidence in the light most favorable to the non-moving party, there is evidence on which a jury could reasonably find a verdict in its favor. *See Anderson*, 477 U.S. at 251; *Hilburn v.*

Murata Electronics N. Am., Inc., 181 F.3d 1220, 1225 (11th Cir. 1999). In making this determination, a judge must "avoid weighing conflicting evidence or making credibility determinations." *See Hilburn*, 181 F.3d at 1225 (citing *Hairston v. Gainesville Sun Publ'g Co.*, 9 F.3d 913, 919 (11th Cir. 1994)).

II. Facts

A. Stenograph

1. Stenograph's Business

Stenograph is an Illinois company that manufactures and distributes court reporting equipment and supplies, in particular, court reporting writing machines and court reporting software. *See* Second Amended Complaint ¶¶ 4-5. Stenograph manufactures and distributes a variety of computer assisted transcription ("CAT") software, which converts stenographic type into English text. Stenograph owns a registered copyright for at least 20 different types of CAT software. *See* Affidavit of John Wenclawski, ("J. Wenclawski Aff.") ¶¶ 10-11. All of Stenograph's CAT software requires a software protection device known as a "key," which ensures that only licensed users can use the software.

2. Stenograph's License Agreements

Stenograph and its customers execute a written agreement in conjunction with the transfer of software copies and keys to the customers. *See* J. Wenclawski Aff. ¶¶ 10, 11. Stenograph filed a total of fourteen agreements that it has used during the relevant time periods. *See id.* at ¶ 10; Affidavit of Dean Brenner ("Brenner Aff.") Ex. 13. Thirteen of the fourteen agreements were drafted for Stenograph and provide that Illinois law governs the contract (referred to as the "Stenograph contracts").[1] The remaining agreement was drafted for Xscribe and provides that California law governs (referred to as the "Xscribe contract"). *See* Brenner Aff. Ex. 13 at 007061 ¶ 18,009086, & 009088. In 1996, Stenograph acquired Xscribe's assets, including its copyright in XEC-2001 CAT software. *See* J. Wenclawski Aff. ¶¶ 2, 10. This is the universe of agreements that Stenograph used

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[1]*See* Brenner Aff. Ex. 13 at 006006, 006010, 006016, 006019A, 006022, 006026 ¶ 21(c); 006008 ¶ 20(d); 006036, 006042, 006046, 006050 ¶ 20(c); 006056 ¶ 8; & 006062 ¶ 10.

during the time period at issue. *See* J. Wenclawski Aff. ¶ 10.[2] The relevant provisions in ten of the thirteen Stenograph contracts contain are largely identical.[3] The relevant provisions in the three other Stenograph contracts are worded differently, but are not significantly different from the other ten. I refer to the three unique Stenograph contracts as the November 1985[4] Stenograph contract, *see* Brenner Aff. Ex. 13 at 006008; the May 1998 Stenograph contract, *see id.* at 006056; and the March 2001 Stenograph contract, *see id.* at 006061. Using the ten identical Stenograph contracts as a benchmark, the following are the similarities and differences I observed between the relevant provisions in the contracts.

The ten identical Stenograph contracts expressly provide that Stenograph is not transferring title and continues to own the software copy and key:

> We grant to you, and you accept, a license to use the Licensed Materials. **We are not transferring title** to the Licensed Materials to you and **we continue to own the copy** of the Licensed Materials we provide to you.

Id. at 006006, 006010, 006016, 006019A, 006022, 006026, 006036, 006042, 006046, 006050, ¶ 4 (emphasis added). In insignificantly different terms, the May 1998 and March 2001 Stenograph contracts also provide that Stenograph is not transferring title and continues to own the software copy and key. *See id.* at 006056, 006061 ¶ 3. The November 1985 Stenograph contract does not provide that Stenograph is not transferring title, but does provide that a license is being granted, and that the software copy and key are the exclusive property of Stenograph:

> Stenograph grants to Licensee during the term of this Agreement, a nonexclusive license to use the Licensed Software, Documentation, PC Board (if required to Operate the Licensed Software) under the terms and conditions set forth below, on the Designated Equipment only...

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[2] Stenograph also filed an independent equipment purchase agreement which is not at issue here. *See* Brenner Aff. Ex. 13 at 006053-006054.

[3] Three of the ten identical contracts contain different language in one relevant provision, and that difference is discussed below.

[4] I refer to this contract as the "November 1985 Stenograph contract" only for easy identification, as "11/85" appears on the bottom left corner of Brenner Aff. Ex. 13 at 006008. It is not clear that the "11/85" is intended to reflect the date the contract was drafted. There is no clearer identification of a date on this copy of the contract.

> The Licensed Software, the Documentation and PC Board shall remain the exclusive property of Stenograph, and shall not be used in any way other than allowed by this Agreement.

Id. at 006008 ¶¶ 4, 9. The Xscribe contract is similar to the November 1985 Stenograph contract in this respect. It provides: "You, the original purchaser, are granted a nonexclusive license to use this Software under the terms stated in this Agreement...You have no ownership in the Software or the user manual or other documentation." *Id*. at 0009086 ¶¶ 2, 3.

The ten identical Stenograph contracts expressly restrict transfer of the software copy and key:

> You **may not assign** this Agreement, **or transfer** the Licensed Materials, to anyone else without our written approval, which approval will not be unreasonably withheld provided we are paid the applicable transfer fee.

Id. at 006006, 006010, 006016, 006019A, 006022, 006026, 006036 ¶ 20(b); 006042, 006046, 006050 ¶ 19(b) (emphasis added). In insignificantly different terms, the November 1985 Stenograph contract also restricts transfer, and provides that Stenograph's approval will not be unreasonably withheld provided Stenograph is paid a transfer fee. *See id*. at 006008 ¶ 20(g). The May 1998 and March 2001 Stenograph contracts, and the Xscribe contract also prohibit transfer without Stenograph's written approval, but do not provide that Stenograph will not unreasonably withhold approval. *See id*. at 006056, 006061 ¶ 3, 009086 ¶ 2. Three of the ten identical contracts contain one provision restricting transfer that differs from the others. The Stenograph contracts at Brenner Aff. Ex. 13 at 006042, 006046, 006050 at ¶ 4, provide, "If you sell the licensed material to another party, the transaction is not recognized until a valid license transfer application is competed by the buyer and accepted by Stenograph."

The ten identical Stenograph contracts provide that the license is for a perpetual duration, and permit Stenograph to terminate the license and take the software copy and key back if the customer breaches the contract:

> **Your license** to use the Licensed Materials **shall be perpetual** unless you terminate it or we terminate it due to your breach of this Agreement. **Upon termination** of your license, you will **immediately stop** using the Licensed Software, **return to us all copies** of the Licensed Materials and make **no further use** of the Licensed Software.

Id. at 006006, 006010, 006016, 006019A, 006022, 006026, 006036 ¶ 19; 006042, 006046, 006050 ¶ 18 (emphasis added). In insignificantly different terms, the November 1985, May 1998, and March 2001 Stenograph contracts also permit Stenograph to terminate the license and take the software copy and key back if the customer breaches the contract. *See id*. at 006008 ¶ 19; 006056, 006061 ¶¶ 4, 5. The November, 1985 contract differs from the other Stenograph contracts in that it provides that the license shall last for a term "equal to the useful life of the Designated Equipment, or for 99 years, whichever is less, unless sooner terminated as provided in this Agreement." *Id*. at 006008 ¶ 5. The May 1998 and March 2001 Stenograph contracts differ from the others in that they do not contain a provision stating the term of the license. *See id*. at 006056, 006061. Like the Stenograph contracts, the Xscribe contract provides that it terminates upon the customer's breach. *See id*. at 009086 ¶ 2. But it does not state the term of the license, and contains no provision stating that Xscribe can take the software copy and key back upon the customer's breach. Instead, the Xscribe contract provides that the customer agrees to destroy the software if he breaches. *See id*. It also differs from the Stenograph contracts in that it permits the customer to terminate the contract at any time by destroying the software. *See id*.

The ten identical Stenograph contracts restrict the customer's use of the software copy and key, and require the customer to maintain Stenograph's confidentiality and trade secrets:

> You further acknowledge that the Licensed Materials are our valuable **trade secrets**, and that you agree to **maintain and protect the confidentiality** of these materials, not disclose them to anyone else or use them for any purpose not allowed by this Agreement. You also **agree not to decompile, disassemble, or reverse engineer** the Licensed Software or Software Key.

Id. at 006006, 006010, 006016, 006019A, 006022, 006026, 006036, 006042, 006046, 006050 ¶ 15 (emphasis added). In insignificantly different terms, the May 1998 and March 2001 Stenograph contracts and the Xscribe contract also require the customer to maintain Stenograph's confidentiality and trade secrets, and prohibit the customer from decompiling, disassembling, or reverse engineering the software copy or key. *See id*. at 006056, 006061 ¶ 2, & 009086 ¶ 3. Instead, the November 1985 Stenograph contract also requires the customer to maintain Stenograph's confidentiality and trade secrets, but does not expressly prohibit the customer from decompiling, disassembling, or reverse engineering the software copy and key. *See id*. at 006008 ¶ 16(b). The November 1985

Stenograph contract requires the customer to "formulate and adopt appropriate additional safeguards...to insure protection of the confidentiality of such trade secrets," and "immediately notify Stenograph of any information...which does or might indicate that there has been any loss of confidentiality of the trade secret information licensed hereunder." *Id.*

There are several other differences between the Stenograph contracts and the Xscribe contract. First, the relevant provisions in the Stenograph contracts are part of the "additional terms and conditions" on the reverse side of Stenograph's order form, while the license agreement in the Xscribe contract is separate from Xscribe's order form. *See id.* at 006006, 007061, & 009086. Second, the contracts are titled differently. The Stenograph contracts are entitled, "Equipment Purchase and Software License Agreement," *id.* at 006006, 006009, 006015, 006019, 006021, 006025, 00635, 006041, 006045, 006049, "Software License," *id.* at 006055, or "License Agreement for Single CPU Use of Proprietary Software," *id.* at 006007. The Xscribe contract is composed of two separate documents, an order form for the Xscribe contract is entitled, "Sales Agreement," and a separate document entitled, "XEC-2001 License Agreement." *Id.* at 007060, 009086. Third, the Stenograph contracts define the "Licensed Materials" or "Licensed Software" to include the software that Stenograph provides the customer, while the Xscribe contract contains no definition of "licensed software." *Id.* at 006005, 006008, 006010, 06016, 06019A, 006022, 006026, 006036, 006042, 006046, 006050, 006056, 0060061, 009086. Fourth, the order forms for the Xscribe contract and the Stenograph contracts contain different opening clauses. The Xscribe contract provides:

> Xscribe agrees to sell to Customer, and Customers agrees to purchase from Xscribe, the following software and/or Equipment (the "Products") for a purchase price equal to the amount set forth below. Customer further agrees that if this Agreement is replaced by an Equipment [illegible] (i.e. Customer chooses to lease the Products rather than purchase the Products), then this Sales Agreement becomes null and void.

Id. at 007060. With the exception of the November 1985 Stenograph contract order form (which contains no opening clause), and the March 2001 Stenograph contract (which has no attached order form), the order forms for the Stenograph contracts provide:

> Stenograph Corporation ("Stenograph") sells the Equipment and licenses the Licensed Software to customer named below ("Customer") and Customer purchases the Equipment and licenses the Licensed Software from Stenograph

> for business purposes on the terms and conditions stated on both sides of this Equipment Purchase and Software License Agreement ("Agreement").

Id. at 006005, 006009, 006015, 006019, 006021, 006025, 00635, 006041, 006045, 006049, 006053, 006055.

B. STENOTECH

Stenotech was founded in 1994 to buy and re-sell used court-reporting equipment and software, including CAT software. Affidavit of Kerry Brunner ("K. Brunner Aff.") ¶ 2; Deposition of Kerry Brunner ("K. Brunner Depo.") at 23. When trading in Stenograph software prior to 1997, Stenotech would ensure that the original owner and the subsequent purchaser executed a Stenograph license transfer form. *See* K. Brunner Aff. ¶ 4. Stenotech, however, would not execute a license transfer form in its own name. *See id*. On September 8, 1997, Stenograph sent Stenotech a letter that included the following language: "Your company has found a market need to purchase and resell many different models of software products. As it applies to any of the Stenograph software products, a Software License Transfer must take place for each transaction from seller to Stenotech and from Stenotech to the future purchaser." Affidavit of William Crispin ("W. Crispin Aff.") Ex. 32; Deposition of David Wynne ("D. Wynne Depo.") Ex. 28; K. Brunner Depo. at 88. In a subsequent telephone conversation days or months after the September 1997 letter, Stenograph remitted the double transfer form requirement. *See* K. Brunner Depo. at 89-91. In or around 1997, Stenograph required Stenotech to receive telephonic approval prior to each transfer. *See* Wynne Depo. at 26-28 & Ex. 17; K. Brunner Aff. ¶ 5. In compliance with that requirement, Stenotech would contact Lisa Balderstone at Stenograph to ensure that the license transfer was legitimate – i.e., that the product was not stolen, that the seller was the rightful owner of the product, and that the seller was paid in full and up to date. *See* K Brunner Aff. ¶¶ 4, 5; Deposition of Lisa Balderstone ("L. Balderstone Depo.") at 109-11; Wynne Depo. Ex. 17. Stenograph, via Ms. Balderstone, usually approved the transfer to the new user when the original user did not owe Stenograph any money. *See* L. Balderstone Depo. at 65. Stenotech kept several one-page forms in the course of its business to document Stenograph's approval of a software transfer. *See* Supplemental Declaration of Portia Seely ("P. Seely Supp. Dec.") Ex. C.

On May 27, 1998, Stenograph sent a follow-up letter to Stenotech. *See* Crispin Aff. Ex. 33; Wynne Depo. Ex. 29; K. Brunner Depo. at 91. The letter states: "As I reminded you in my letter of September 8, 1997, a valid Software License is required for each copy of our software." Crispin Aff. Ex. 33; Wynne Depo. Ex. 29. The letter goes on to state: "I have enclosed, for your use, our new Software License Transfer Agreement. It is vital that each change of possession of the software be accompanied by a Software License Transfer Agreement. . . . It must be completed by the 'buyer' and the 'seller,' and returned to Stenograph with the indicated fee." Crispin Aff. Ex. 33; Wynne Depo. Ex. 29. After receipt of the May 27th letter, Stenotech used the new "Software License Transfer Agreement" but did not execute one on its own behalf while in custody of the software prior to it being resold to the new user. *See* K. Brunner Depo. at 92-95.

On January 21, 1999, Stenograph sent Stenotech a third letter. The letter stated that, effective January 22, 1999:

> We appreciate your efforts over the past several months to verify the ownership of software licenses you are handling. However, market conditions dictate that we change our procedures. This is not an option but a legal *necessity*...Each time Stenotech acquires our software, your company will place a call directly to Lisa Balderstone,...to execute a License Transfer and pay the appropriate fee. Each time StenoTech sells our software, an additional License Transfer will be required. The License Transfer fee will be $195.00 in each case.

See Brenner Aff. Ex. 11. Mr. Brunner admits that he received this letter, and that he understood it to require that Stenotech execute a license transfer form, and pay Stenograph $195.00 transfer fee, each time Stenotech acquired used Stenograph software from a user. *See* K. Brunner Aff. at ¶ 7; K. Brunner Depo. at 95-97. Mr. Brunner also understood it to require that the buyer of the software execute a second license transfer form, and pay a second $195.00 fee, when he acquired the software from Stenotech. *See* K. Brunner Depo. at 95-97, 101-02. Mr. Brunner protested the letter's conditions. *See* K. Brunner Depo. at 96, 101-02. He never complied with the double transfer fee requirement, and the requirement that Stenotech execute two license transfer forms. *See id* at 96, 101; K. Brunner Aff. ¶ 7. Instead, he continued Stenotech's prior practice of "send[ing] the completed transfer form to the new user with instructions to complete the form and remit it and the license transfer fee to Stenograph." K. Brunner Aff. at ¶ 7. Stenotech continued to buy, acquire, and

resell Stenograph software and keys after the effective date of the new policy: January 22, 1999. *See* Wenclawski Aff. at ¶ 7, 9; Brenner Aff. Ex. 12.

Stenograph contends that from February 2, 1999, through July 23, 2001, Stenotech bought and resold Stenograph software and keys without Stenograph's consent. *See* J. Wenclawski Aff. ¶¶ 7, 9; Brenner Aff. Ex. 12. It has attached a list of 279 transactions by Stenotech during that time period. *See* Brenner Aff. Ex. 12. Mr. Brunner also admits that at some undetermined points in time, "StenoTech has made copies of certain Stenograph diskettes to replace damaged ones[.]" K. Brunner Aff. ¶ 8.

C. Kerry and Sandra Brunner

Mr. Brunner founded Stenotech in 1994. *See* K. Brunner Depo. at 23. He is Stenotech's head buyer and seller. *See* K. Brunner Depo. at 45. His principal activity at Stenotech has been management of the overall business and sales. *See id.* at 44-45.

Sandra Brunner married Mr. Brunner in 1993. *See* S. Brunner Depo. at 61. When Stenotech was founded in 1994, Mr. Brunner owned 100% of Stenotech's stock (100 shares), and Ms. Brunner became Stenotech's secretary/treasurer. *See* K. Brunner Depo. at 25; S. Brunner Depo. at 18-19. On January 1, 1995, a promissory note for $10,000, secured by a pledge of all 100 shares of Stenotech stock, was executed in Mr. Brunner's favor. *See* Brenner Aff. Ex. 23. Mr. Brunner testified that in exchange for the note, he transferred all 100 shares of Stenotech stock to Ms. Brunner. *See* K. Brunner Depo. at 25. The second page of the note shows that it was signed on January 1, 1995, by Ms. Brunner. *See* Brenner Aff. Ex. 23. However, she was not asked to verify her signature at her deposition, and the second page is not notarized. *See generally* S. Brunner Depo.; Brenner Aff. Ex. 23. There is no documentation of the stock transfer from Mr. Brunner to Ms. Brunner. *See* K. Brunner Depo. at 29-32. Ms. Brunner testified that she does not recall doing any paperwork in connection with becoming 100% owner of Stenotech's stock, and did not know until after this litigation started that she ever owned 100% of Stenotech's stock. *See* S. Brunner Depo. at 88, 102, 107-08.

After efforts to discharge a federal income tax lien in bankruptcy were unsuccessful, Mr. Brunner paid $15,000 in settlement of the lien in 1997. *See* K. Brunner Depo. at 21-23, 33. Mr. Brunner testified that he transferred the stock to Ms. Brunner because he had been sued by Acculaw

(a former party in this case), and the transfer had nothing to do with his tax problems. *See id*. at 25. Ms. Brunner, however, believes the transfer had something to do with Mr. Brunner's tax problems. *See* S. Brunner Depo. at 57-58. Mr. Brunner testified that some time in 1997 or 1998, after the Acculaw suit and the tax lien were both settled, Ms. Brunner transferred the Stenotech stock back to him. *See* K. Brunner Depo. at 33-38.

Stenotech's corporate income tax returns state that Ms. Brunner owned 100% of Stenotech's outstanding stock from 1996 to 1999. *See* Brenner Aff. Exs. 25-28. Presumably, Stenotech followed the calendar year as opposed to some other tax year because the spaces on the returns to indicate an alternative tax year are blank. *See id*. The tax returns contain only one signature: the signature of the tax preparer, i.e., Stenotech's accountant. *See id*. The date and signature lines for the corporate officer on all of the returns are blank, but "President" appears in the line for the officer's title. *See id*. Stenotech's accountant signed its 1996 tax return on June 20, 1997, and its 1997 tax return on November 16, 1998. *See* Brenner Aff. Exs. 25-26. According to Stenotech's annual reports, Ms. Brunner was Stenotech's president on these dates. *See* Brenner Aff. Ex. 24. But Ms. Brunner testified that she does not recall seeing the 1996 Stenograph tax return. *See* S. Brunner Depo. at 82. She was not specifically asked whether she had ever seen the 1997 tax return before her deposition. She was asked whether she recognized it, to which she responded, "I recognize what it says, yes." *Id*. at 88. She also testified that she had never seen the 1998 or 1999 Stenotech tax returns. *See id*. at 107-08, 111.

Kerry Brunner was Stenotech's president from its founding to July 9, 1996. *See* Brenner Aff. Ex. 24. On July 9, 1996, Ms. Brunner became Stenotech's president, and Mr. Brunner became its secretary/treasurer. *See* S. Brunner Depo. at 57-58; Brenner Aff. Ex. 24. They retained these titles through September 14, 1999. *See* Brenner Aff. Ex. 24. On September 14, 1999, Mr. Brunner once again became Stenotech's president. *See id*. In 1996 and 1997, Ms. Brunner signed Stenotech's annual reports filed with the Florida Department of State. Brenner Aff. Ex. 24.

In 1996, 1997 and 1998, Ms. Brunner worked for Stenotech 25% of her time. *See* Brenner Aff. Exs. 25-27. In 1996, she earned approximately $15,000 as compensation from Stenotech, making her Stenotech's highest paid officer, although the difference between her pay and Mr. Brunner's pay was only about $2,000. *See* Brenner Aff. Ex. 25. Ms. Brunner signed Stenotech

checks when Mr. Brunner was unavailable, but this happened only occasionally. *See* K. Brunner Depo. at 37. She made a loan of less than $50,000 to Stenotech at some point in time. *See* S. Brunner Depo. at 115-16.

From Stenotech's founding in 1994 through most of 1995, Ms. Brunner did not have any involvement in the day-today business operations. *See* S. Brunner Depo. at 19, 28. She began working for Stenotech in the fall of 1995, when she helped Mr. Brunner move Stenotech's office. *See id*. at 28-29. From the end of the move to near the end of 1996, Ms. Brunner did not do any work at Stenotech. *See id*. at 45. She became president in early or middle of 1996, but did not start doing clerical work for Stenotech until the end of 1996, when she started receiving a paycheck. *See id*. at 31, 45. This clerical work included filing, organizing the office, and running machines to the repair service and back. *See id*. at 23. This clerical work was on-going, but she did not have a regular schedule of coming into the office. *See id*. at 24-25. She also answered the phone, and took messages for Mr. Brunner from customers calling regarding sales. *See id*. at 34-35. She stopped doing clerical work for Stenotech some time in the middle of 1998, when Stenotech moved offices again. *See id*. at 48. While at the new office, Ms. Brunner screened potential employees. *See id*. at 48. However, from 1998 to 2000, Ms. Brunner primarily raised her two newborn children. *See id*. at 57. She did some clerical work for Stenotech in 1999, but only on a very limited basis, and did no work for Stenotech in 2000. *See id*. at 112, 114. Ms. Brunner left Stenotech and returned to nursing some in 2000, and continued working as a nurse into 2001. *See id*. at 56-58.

In February, 2001, Marlin Leasing, a financing company, sent a letter to Stenotech, addressed to Ms. Brunner. *See* Stenotech Sum. J. Mot. Ex. A. The letter was intended to inform Ms. Brunner that a customer named "Sandra Chapman" was 61 days delinquent in her payments to Marlin. *See id*. The letter refers to Ms. Chapman as "your customer," and states that the account "originated through you." *Id*. Mr. Brunner dealt with Ms. Chapman via e-mail. *See id.* Ex. B.

While working for Stenotech, Ms. Brunner did not supervise employees, have any involvement in purchasing and selling Stenograph software, speak to the Seelys, or discuss substantive matters about Stenotech's business with Stenotech customers. *See id*. at 17, 36,109. Before this litigation, she did not know of any dispute between Stenograph and Stenotech. *See id*. at 93.

D. ADVANTAGE

Advantage is a Florida company in the business of dealing in court reporting software. *See* Answer and Affirmative Defenses of Advantage Software [D.E. 167] at ¶¶ 19-20. Advantage has a network of sales representatives throughout the country that sell its products. *See id*. One of the products that Advantage markets, sells, and services is the CAT software known as Eclipse. *See id*.

From at least July, 1997, to January, 1999, Advantage conducted "trade-in" transactions with court reporters who licensed copies of new Stenograph software and keys. *See* Brenner Aff. Ex. 4. Trade-ins were transactions where a customer would trade his used Stenograph software copy and key in exchange for a new copy of Eclipse software at a discounted price. *See id*.; Deposition of Portia Seely ("P. Seely Depo.") at 28-30. The customer would send his used Stenograph software either directly to Advantage, or to an Advantage sales representative. *See* K. Brunner Depo. at 246-48. Advantage or the sales representative would then re-sell the used Stenograph software copy and key to Stenotech, and Stenotech would then re-sell it to another user. *See id*.; Deposition of Gregory Seely ("G. Seely Depo.") at 26-28. Stenotech paid either the sales representative, who would then give Advantage its cut of the proceeds, or pay Advantage, who would then give the sales representative his cut. *See* K. Brunner Depo. at 246-48; G. Seely Depo. at 26-28; Brenner Aff. Ex. 6. In other cases, the customer would send the software directly to Stenotech, who would then pay either Advantage or the Advantage sales representative. *See* P. Seely Depo. at 25; K. Brunner Depo. at 248. It is not clear whether Stenotech paid Advantage (or the sales representative) before or after Stenotech re-sold the used software copy and key to a new user. There is conflicting evidence on this issue. *See* G. Seely Depo. at 27, 28, 62; Brenner Aff. Exs. 6, 8, 20. In conducting trade-in transactions, neither Advantage nor its sales representatives received group or bulk prices, or referral fees from Stenotech. *See* G. Seely Depo. at 51. Advantage never negotiated the price of traded-in Stenograph software with Stenotech. *See id*.

In a September 3, 1997 letter, Stenograph demanded that Advantage cease and desist from any efforts to accept Stenograph software in trade. *See* Brenner Aff. Ex. 17. Stenograph also claimed that Advantage's possession, use, transfer and/or sale of Stenograph software without Stenograph's consent constituted misappropriation, conversion, and copyright infringement. *See id*. The next day, Mr. Seely responded to the letter stating that Advantage had not violated the terms of

Stenograph's license agreements, and had not sold any Stenograph software. *See* Brenner Aff. Ex. 16. One week later, Mr. Seely e-mailed one of his sales representatives, John Everhart of Everbatim. *See* Brenner Aff. Ex. 6. In that e-mail, Mr. Seely admitted that up until that time, Advantage had taken possession of at least some copies of Stenograph's software. *See id*. He told Mr. Everhart that he wanted to change the practice so that the software went to the sales representatives instead of Advantage directly. *See id*. In a July 1998 e-mail, Mr. Seely told Lucinda Berdak, a new Advantage sales representative, that the customer should send the Stenograph software directly to her or to Advantage, but should check with Ms. Seely. *See* Brenner Aff. Ex. 7. At his deposition, Mr. Seely could not recall whether Advantage was still directly receiving Stenograph software at the time he e-mailed Ms. Berdak. *See* G. Seely Depo. at 89. Ms. Seely was under the impression that only Advantage's sales representatives physically handled Stenograph software. *See* P. Seely Depo. at 25. In September, 1997, and August 1998, Mr. Seely wrote an e-mail to Advantage sales representatives giving the prices Stenotech would take for Stenograph software taken in trade. *See* Brenner Aff. Exs. 6, 8. In September 1998, Mr. Seely wrote to an Advantage sales representative, Brent Ragan of Solutions of America, and told him that a check from Stenotech to Mr. Ragan concerning traded-in Stenograph software should have been sent to Advantage. *See* Brenner Aff. Ex. 10. He further stated that the traded-in software should have been sent to Advantage, instead of Mr. Ragan. *See id*.

On December 15, 1998, Stenograph sent Advantage another letter repeating that it knew Advantage was accepting Stenograph software in trade, and re-selling the software to other users. *See* Brenner Aff. Ex. 47.[5] Stenograph threatened to sue Advantage. *See id*. On January 21, 1999, Advantage responded by maintaining that it had not violated any of Stenograph's rights, but agreed to tell its sales representatives not to accept Stenograph software in trade. *See* Brenner Aff. Ex. 48. In March of 2000, Mr. Seely forwarded an e-mail from Mr. Brunner to Advantage sales representatives, where Mr. Brunner informs the representatives about Stenotech's business, offers to take CAT software in trade, and mentions the parties' common goal of taking business away from Stenograph. *See* Brenner Aff. Ex. 20.

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[5] The first page of the two-page letter is dated October 8, 1998, but the second page, with Mr. Crispin's signature, is dated December 15, 1998. *See* Brenner Aff. Ex. 47.

Stenograph has compiled a list of 188 transactions taking place from March of 1995 through August of 2001, where it claims that Advantage conducted unauthorized "trade-in" transactions. *See* Panfil Aff. ¶ 2, Ex. 1. Advantage answered Stenograph's first set of interrogatories by attaching a list of 42 transactions from July of 1997 through January of 1999, that it concedes are "trade-in" transactions. *See* Brenner Aff. Ex. 3; P. Seely Depo. at 34, 40; P. Seely Supp. Dec. ¶ 2. There is no evidence of how the software copy, key, and money flowed in each particular case, and thus, it is impossible to determine what criteria Advantage used to determine that these were "trade-ins." Advantage later amended that list by stating that one of the transactions, that of Edward McKenna, was not a "trade-in" because Mr. McKenna actually retained his Stenograph software copy. *See* P. Seely Supp. Dec. at ¶ 2. Stenograph does not dispute that Mr. McKenna's transaction was not a trade-in. *See* Stenograph Reply in Support of its Motion for Summary Judgment [D.E. 472] at 1.

For a number of the transactions of the list of 42, Advantage has filed license transfer forms filled out by the users. *See* P. Seely Supp. Dec. Ex. C. None of the forms are signed by a Stenograph representative. *See id*. Advantage has also filed several of the one-page forms that Stenotech kept, indicating that Stenograph, via Ms. Balderstone, approved the transfers. *See id*. However, Ms. Balderstone testified that Stenotech never told her that Advantage played a role in the particular transactions she was approving. *See* L. Balderstone Depo. at 221-22, 247, 273, 284. Ms. Balderstone did hear rumors that Advantage was taking possession of used Stenograph software. *See id*. at 229, Ex. 5. Mr. Everhart, an Advantage sales representative, testified that "everything is off the table," unless the users execute Stenograph's license transfer form. *See* Deposition of John Everhart ("J. Everhart Depo.") at 78-79. At times, Stenograph approved transfers after the new user already took possession of the software copy and key. *See* L. Balderstone Depo. at 65, 75-77, 11; D. Wynne Depo. at 134, 175.

E. GREG AND PORTIA SEELY

Greg Seely is Advantage's president, and owns 48% of Advantage's stock. *See* G.Seely Depo. at 4. He dealt with Advantage's sales representatives concerning trade-ins, and the purchase and sale of used Stenograph software; discussed with Mr. Brunner the policies to govern trade-ins, and the prices for used software; and was involved in Advantage's marketing. *See* G. Seely Depo. at 49; Brenner Aff. Exs. 6, 7, 8; K. Brunner Depo. at 252. Portia Seely is Advantage's chief

operating officer and owns 48% of Advantage's stock. P. Seely Depo. at 5. She paid Advantage's bills, signed license agreements, reviewed commission reports, and oversaw Advantage's finances. *See id*. The accounting department reported to her. *See id*. at 91. She also received money from Stenotech for trade-ins, and trade-in orders were addressed to her. *See id*. at 25, 41-42.

III. Stenograph's Motion for Summary Judgment

A. Stenotech and Advantage's Liability for Copyright Infringement

Stenograph moves for summary judgment on its copyright infringement claim against Stenotech and Advantage. In order to prevail on summary judgment, Stenograph must show that there is no genuine issue of material fact that (1) it owned a valid copyright, and (2) the defendants infringed on the copyright. *See Feist Publs., Inc. v. Rural Tele. Serv. Co.*, 499 U.S. 340, 361 (1991); *Bateman v. Mnemonics*, 79 F.3d 1532, 1541 (11th Cir. 1996); *The Walt Disney Co. v. Video 47, Inc.*, 972 F.Supp. 595, 600 (S.D. Fla. 1996). I address each element in turn.

1. Copyright Ownership in Various Types of CAT Software

"In any judicial proceedings the certificate of registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and facts stated in the certificate." 17 U.S.C. § 410©; *Bateman*, 79 F.3d at 1541; *Walt Disney Co.*, 972 F. Supp. at 600. Stenograph has submitted a certificate of registration for the following CAT software: Premier Power 1.0, Premier Power 2.0, and Premier Power 3.0; Omnicat; XEC-2001;[6] Case CATalyst, Case CATalyst 2.04, and Case CATalyst 3.0; OZPC 1.0[7] and OZPC 2.0; Cimarron Spectrum Version 1.2; Cimarron CAT System 3.2A and Cimarron CAT System 4.0.3; Rapid Write 1.0; and Rapid Write PRO 1.0. *See* J. Wenclawski Aff. ¶ 2; Brenner Aff. Ex. 1. Neither Advantage

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[6] The certificate of registration for XEC-2001 shows Xscribe Corporation as the copyright owner. Stenograph Corp. purchased Xscribe in 1996, and in March of 1997, Stenograph Corp. merged with Stenograph, whereby Stenograph acquired the copyright in XEC-2001. *See* J. Wenclawski Aff. ¶ 2; Wynne Depo. at 75.

[7] The certificate of registration for OZPC 1.0 was issued more than five years after it was first published. Neither Advantage nor Stenotech dispute the portion of Mr. Wenclawski's affidavit where he avers that Stenograph owns the copyright in OZPC 1.0. Thus, there is no genuine issue of material fact that Stenograph owns the copyright in OZPC 1.0.

nor Stenotech dispute this record evidence, and thus, there is no genuine issue of material fact that Stenograph owns the copyrights in these types of CAT software.

2. COPYRIGHT INFRINGEMENT THROUGH UNAUTHORIZED DISTRIBUTION

Stenograph must also show that there is no genuine issue of material fact that the defendants infringed on its copyrights. Stenograph may prove infringement by showing that Advantage and Stenotech violated one its exclusive rights under 17 U.S.C. § 106. *See Sony Corp. v. Universal Studios, Inc.*, 464 U.S. 417, 432-33 (1984). The only exclusive right that Stenograph invokes in its motion for summary judgment is the exclusive right to "distribute copies...of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending[.]" 17 U.S.C. § 106. "Public distribution of a copyrighted work is a right reserved to the copyright owner, and usurpation of that right constitutes infringement." *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 843 (11th Cir. 1990); 17 U.S.C. § 501(a). While the parties do not pay much attention to the definition of "distribution," it at least appears that one engages in an infringing "distribution" when it has possession of a copyrighted work, and then shares it with the public without the copyright owner's consent. *See A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013-14 (9th Cir. 2001) (Napster users who uploaded and downloaded MP3 files over internet were distributing); *Cable/Home Comm. Corp.*, 902 F.2d at 835, 843 (infringers who manufactured and sold a pirated computer chip were distributing); *Walt Disney Co.*, 972 F.Supp. at 601 (infringers who rented to the public counterfeit tapes were distributing). With these principles in mind, I turn to see if Stenograph has proven that there is no genuine issue of material fact that Stenotech and Advantage violated Stenograph's exclusive right to distribute its CAT software.

a. STENOTECH

According to Stenograph, Stenotech has been distributing Stenograph software without Stenograph's consent, thereby infringing on Stenograph's copyright, since 1992. *See* Panfil Aff. ¶ 2. Stenograph concedes, however, that there are genuine issues of material fact as to whether Stenotech infringed on Stenograph's copyright from 1992 to January 21, 1999. *See* Stenograph Sum. J. Mot. at 5. Stenograph moves for summary judgment only on those transactions that took place after January 21, 1999. *See id*. Stenograph argues that there is no genuine issue of material fact that from February 2, 1999, through July 23, 2001, Stenotech infringed on Stenograph's copyrights in its

software by (1) distributing Stenograph's software without Stenograph's consent; and (2) copying Stenograph's software without Stenograph's consent and distributing such copies to its customers. Stenograph has compiled a list of 279 transactions taking place from February 2, 1999 through July 23, 2001which it moves for summary judgment on. *See* Brenner Aff. Ex. 12.

I agree with Stenograph that it is entitled to summary judgment as to the 279 transactions that took place from February 2, 1999, through July 23, 2001. On January 21, 1999, Stenograph sent Stenotech a letter. The letter stated that, effective January 22, 1999:

> each time Stenotech acquires our software, your company will place a call directly to Lisa Balderstone,...to execute a License Transfer and pay the appropriate fee. Each time StenoTech sells our software, an additional License Transfer will be required. The License Transfer fee will be $195.00 in each case.

See Brenner Aff. Ex. 11. Mr. Brunner admits that he received this letter, and that he understood it to require that Stenotech execute a license transfer form, and pay Stenograph $195.00 transfer fee, each time Stenotech acquired used Stenograph software from a seller. *See* K. Brunner Aff. ¶ 7; K. Brunner Depo. at 95-97. Mr. Brunner also understood it to require that the buyer of the software execute a second license transfer form and pay a second $195.00 fee when he acquired the software from Stenotech. *See* K. Brunner Depo. at 95-97, 101-02. The letter clearly stated that Stenograph would only consent to the distribution of its software if these conditions were met: "This is not an option but a legal *necessity*. "*See* Brenner Aff. Ex. 11 (emphasis in original). Mr. Brunner protested the letter's conditions. *See* K. Brunner Depo. at 96, 101-02. However, he never complied with the double transfer fee requirement, and the requirement that Stenotech execute two license transfer forms. *See id* at 96, 101; K. Brunner Aff. ¶ 7.[8] Mr. Wenclawski's affidavit is undisputed evidence that in each of the 279 transactions, Stenotech bought, acquired (or obtained), and then resold Stenograph software without Stenograph's consent. *See* Wenclawski Aff. ¶¶ 5, 7, 9; Brenner Aff.

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[8] Mr. Brunner averred that, after the letter, "I continued to send the completed transfer form to the new user with instructions to complete the form and remit it and the license transfer fee to Stenograph." This is not sufficient to create an issue of fact because the letter clearly required that Stenotech execute *two* license transfer forms: one when Stenotech took possession of the software, and a second when the new end user took possession.

Ex. 12.[9] Thus, there is no genuine issue of material fact that from February 2, 1999 through July 23, 2001, Stenotech infringed on Stenograph's exclusive right to distribute Stenograph software. Thus, as to the 279 transactions that took place during this time period, Stenograph is entitled to summary judgment on Stenotech's liability for copyright infringement. *See A & M Records, Inc.*, 239 F.3d at 1013-14; *Cable/Home Comm. Corp.*, 902 F.2d at 835, 843; *The Walt Disney Co.*, 972 F.Supp. at 601.

b. ADVANTAGE

Stenograph argues that Advantage violated its copyright by conducting 188 unauthorized "trade-in" transactions from March of 1995 through August of 2001. *See* Panfil Aff. ¶ 2, Ex.1. Stenograph only moves for summary judgment on 42 transactions, from July of 1997 through January of 1999, that Advantage concedes are "trade-in" transactions. *See* Brenner Aff. Ex. 4. Advantage moves for summary judgment on all 188 transactions. Advantage's motion is discussed separately.

There is no dispute that, in each transaction, the original user sold his used Stenograph software, and received new Eclipse software. *See id*. There is also no dispute that, at some later point in time, Stenotech purchased the software from either Advantage, an Advantage sales representative, or the original user. *See* K. Brunner Depo. at 246-48; P. Seely Supp. Dec. ¶ 3. Thus, the transactions fall into one of three categories: (1) transactions where Advantage took possession of the Stenograph software; (2) transactions where an Advantage sales representative took possession; and (3) transactions where the original user sent the Stenograph software directly to Stenotech. *See* K. Brunner Depo. at 246-48; P. Seely Supp. Dec. ¶ 3; Brenner Aff. Ex. 6.

Stenograph is theoretically entitled to summary judgment as to those transactions where Advantage took possession of the software. Mr. Seely testified that Advantage took possession of Stenograph's software and distributed it to Stenotech for resale in the course of its trade-in practice. *See* G. Seely Depo. at 58-59, 76. Ms. Seely averred that Advantage only took possession of the Stenograph software four times, at sometime in 1997. P. Seely Supp. Dec. ¶ 3. Advantage never

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[9] Mr. Brunner admits that at some undetermined points in time, "Stenotech has made copies of certain Stenograph diskettes to replace damaged ones[.]" K. Brunner Aff. ¶ 8. I do not address whether this constituted copyright infringement because Stenograph does not raise this fact in support of its motion as to Stenotech. *See* Stenograph Sum. J. Mot. at 5.

got authorization from Stenograph for this distribution. *See* G. Seely Depo. at 21, Wenclaswski Aff. ¶¶ 3-4. Stenograph is thus entitled to summary judgment as to these transactions. *See A & M Records, Inc.*, 239 F.3d at 1013-14; *Cable/Home Comm. Corp.*, 902 F.2d at 835, 843; *Walt Disney Co.*, 972 F.Supp. at 601. However, there is no evidence showing which four transactions on the list of 42 were transactions where Advantage took possession.

Advantage argues that it did not commit copyright infringement as to these four transactions[10] because it did not make any extra profit from trade-ins. It offers evidence that it did not make any profit on the re-sale of traded-in software, that the discount it provided on its Eclipse software reflected the prices Stenotech offered for the software, that it received no referral fees or bulk prices from Stenotech, and never negotiated the price of used software with Stenotech. *See* J. Everhart Depo. at 64; P. Seely Depo. at 109; G. Seely Depo. at 51; P. Seely Supp. Dec. ¶ 6; K. Brunner Depo. at 249. But Advantage fails to cite a case holding that a profit is an element of a copyright claim, or that one must make profit in order to be engaged in a public distribution of copyrighted material. Thus, the evidence showing it did not make a profit on trade-ins is not a barrier to finding that Advantage infringed on Stenograph's copyright in those four transactions where it took possession of Stenograph software.

Advantage also raises various related points to show that it complied fully with Stenograph's license transfer requirements, and thus, did not violate Stenograph's copyrights as to these 4 transactions.[11] Advantage filed a set of completed license transfer forms for most of the 42 transactions. *See* P. Seely Supp. Dec. ¶ 4, Ex. C. But none of the transfer forms are signed by a Stenograph representative. *See id*. Advantage argues that Stenograph nevertheless approved the transfers. It offers several one-page forms that Stenotech kept in the course of its business intended to document Stenograph's approval of a software transfer. *See id*. In the course of re-selling used Stenograph software, Stenotech would regularly check with Ms. Balderstone of Stenograph to see if a license transfer between end-users was legitimate - i.e., that the software was not stolen, that the

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[10] Advantage makes this argument as to all 42 transactions, not merely the four where it admits to taking possession.

[11] Advantage makes this argument as to all 42 transactions, not merely the four where it admits to taking possession.

seller was the rightful owner of the software, and that the seller was in paid in full. *See* K. Brunner Aff. ¶ 4; L. Balderstone Depo. at 109-11. Stenograph, via Ms. Balderstone, usually approved the transfer to the new user when the original user did not owe Stenograph any money, and the forms indicate that Ms. Balderstone approved various transfers on the list of 42 transactions. *See* L. Balderstone Depo. at 65; P. Seely Supp. Dec. Ex. C. Advantage also points to the deposition of its sales representative, Mr. Everhart, where he testified that "everything is off the table" unless the users executed Stenograph's license transfer form. *See* J. Everhart Depo. at 78-79.

Advantage further argues that Stenograph's approval process is illusory because Stenograph regularly approves a license transfer as long as the original user is paid in full, and the new user pays a $195 transfer fee. Furthermore, Stenograph approved some transfers after new users took possession of the software copy. *See* L. Balderstone Depo. at 65, 75-77, 111; D. Wynne Depo. at 134, 175. According to Advantage, Stenograph's license transfer process is not an honest effort to control the distribution of its software; it is merely a means of extracting an extra $195 fee from its customers.

The problem with Advantage's argument is that there is no evidence that Stenograph, via Ms. Balderstone or otherwise, knew that Advantage took possession of the software copies before they reached Stenotech or the new user. Ms. Balderstone testified that Stenotech never told her that Advantage played a role in the particular transactions that she was approving. *See* L. Balderstone Depo. at 221-22, 247, 273, 284. Ms. Balderstone certainly heard rumors to the effect that Advantage was taking possession of used Stenograph software. *See* L. Balderstone Depo. at 229, Ex. 5. But this is not sufficient to create an issue of fact as to whether Stenograph approved of Advantage taking possession of and distributing copies of its software. Moreover, two letters from Stenograph to Advantage - one in September of 1997 and another in December of 1998 - clearly showed that Stenograph did not authorize Advantage to take possession of and distribute copies of Stenograph software. *See* Brenner Aff. Ex. 17, 47. Advantage thus offers no evidence that rebuts Stenograph's evidence that it did not approve Advantage's taking possession of used Stenograph software. *See* Wenclawski Aff. ¶¶ 3, 6. Therefore, Stenograph's motion for summary judgment on its copyright infringement claim should be granted as to those four transactions where Advantage took possession

of copies of Stenograph software. But there is an issue of fact as to which transactions Advantage took possession of the software, summary judgment cannot be entered.

Stenograph is not entitled to summary judgment as to those transactions where only an Advantage sales representative took possession of the used Stenograph software before re-selling it to Stenotech. It is undisputed that Advantage directed its representatives to send Stenograph software, which they had taken in trade, to Stenotech. *See* G. Seely Depo. at 77-79; Brenner Aff. Ex. 6. Advantage also provided its sales representatives with the prices that Stenotech was willing to pay for used Stenograph software. *See* Brenner Aff. Ex. 8. Upon re-sale to Stenotech, Stenotech would either pay Advantage, who would give the representative his share, or pay the representative, who would give Advantage its share. *See* Brenner Aff. Ex. 6; G. Seely Depo. at 26-28; K. Brunner Depo. at 246-48. But in these transactions, only the sales representative took possession of the software. *See* Brenner Aff. Ex. 6. Stenograph does not cite a case describing the degree of control and involvement Advantage must have in the transaction in order to find, as a matter of law, that Advantage was publicly distributing Stenograph software. It cites numerous cases outlining the elements of a copyright infringement claim, and explaining that "copying" includes any form of copyright infringement. *See* Stenograph Sum. J. Mot. at 4. But Stenograph does not explain how any of these cases are analogous. Stenograph cites three cases for the proposition that an unauthorized distribution violates a copyright owner's exclusive rights under § 106(3). *See id*. at 3. But in each case, the "distributor" had possession of the copyrighted work. *See A & M Records, Inc.*, 239 F.3d at 1013-14 (Napster users had possession of MP3 files); *Cable/Home Comm. Corp.*, 902 F.2d at 835, 843 (computer chip "pirate" manufactured the chip); *Walt Disney Co.*, 972 F.Supp. at 601 (video rental store had possession of counterfeit tapes). Thus these cases do not show that, as a matter of law, Advantage distributed Stenograph software even when it did not come into possession of it.

Stenograph is also not entitled to summary judgment as to those transactions where original users were told to send their used Stenograph software directly to Stenotech. Viewed in the light most favorable to Advantage, the evidence supports the conclusion that in these cases, Advantage was merely referring customers to Stenotech. None of the cases cited by Stenograph, *see* Stenograph

Sum. J. Mot. at 3-4, hold that a referral of customers constitutes an unlawful "distribution" under the Copyright Act.

B. First Sale Defense

The defendants raise the first-sale defense to Stenograph's copyright infringement claim. Both Stenograph and Advantage move for summary judgment on the defense, and Stenotech joins in Advantage's motion. Where the copyright owner has sold a copy outright, the owner of the copy may then sell or otherwise transfer that copy however he or she wishes. *See* 17 U.S.C. § 109(a). A license to use a copy, however, is not a sale and does not empower the licensee of the copy to sell or transfer the copy without the authorization of the copyright owner. *See* 17 U.S.C. § 109(d) ("The privileges prescribed by [§ 109(a)] . . . do not, unless authorized by the copyright owner, extend to any person who had acquired possession of the copy . . . by rental, lease, loan, or otherwise, without acquiring ownership of it."); *ISC – Bunker Ramo Corp. v. Altech, Inc*, 765 F. Supp. 1310, 1331 (N.D. Ill. 1990) (a license does not constitute a sale for purposes of the first sale doctrine). The "effect of § 109(a) is to limit the exclusive right to distribute copies to their first voluntary disposition, and thus negate copyright owner control over further or 'downstream' transfer to a third party." *Adobe Systems, Inc. v. Stargate Software, Inc.*, 216 F. Supp. 2d 1051, 1054 (N.D. Cal. 2002) (*citing Quality King Distrib. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 139-45 (1998)). Stenograph argues that it continues to own the exclusive right to distribute its software copies and keys because it only licenses, and does not sell, software copies and keys to its customers. Advantage argues that Stenograph has lost the exclusive right to distribute software copies and keys because it sells them its customers.

To determine whether Stenograph licensed or sold copies of its software and keys to its customers, I turn first to the written contract between Stenograph and its customers. *See, e.g.*, *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1088-89 (9th Cir. 1989); *One Stop Micro, Inc. v. Adobe Systems, Inc.*, 84 F.Supp.2d 1086, 1090 (N.D. Cal. 2000); *Novell, Inc. v. CPU Distributing, Inc.*, 2000 U.S. Dist. LEXIS 9975, *1, *11 (S.D. Tex. May 4, 2000); *Original Appalachian Artworks, Inc. v. S. Diamond Assocs.*, 1993 WL 485176, *1, *2-*3 (N.D. Ga. July 30, 1993). In interpreting the written contract, I "rely on state law to provide the canons of contractual construction, but only to the extent such rules do not interfere with federal copyright law or policy." *S.O.S., Inc.*, 886 F.2d

at 1088. *See also Fantastic Fakes, Inc. v. Pickwick Inter., Inc.*, 661 F.2d 479, 483 (5th Cir. Unit B Nov.,1981) ("[A]pplication of Georgia rules to determine parties' contractual intent is not preempted by either [the] copyright act nor does their application violate federal copyright policy.").

Stenograph filed a total of fourteen written contracts that it has used during the relevant time periods. *See* J. Wenclawski Aff. ¶ 10. Thirteen of the contracts were drafted for Stenograph (the "Stenograph contracts"), and the other contract was drafted for Xscribe (the "Xscribe contract"), a company that Stenograph acquired in 1996. *See* Wenclawski Aff. ¶¶ 2, 10. The Stenograph contracts provide that Illinois law governs, and the Xscribe contract provides that California law governs. *See* Brenner Aff. Ex. 13 at 006006, 006010, 006016, 006019A, 006022, 006026 ¶ 21©; 006008 ¶ 20(d), 006036, 006042, 006046, 006050, ¶ 20©; 006056 ¶ 8, 006062 ¶ 10; 007061 ¶ 18; 009088. No one disputes the validity of the choice of law clauses in the agreements, and thus, I construe the written contracts in accordance with Illinois' and California's canons of construction. *See Fantastic Fakes, Inc.*, 661 F.2d at 483.

Under both Illinois and California law, the plain and unambiguous terms of a written contract control its interpretation. *See McDonald's Corp. v. Mazur*, 469 N.E.2d 430, 433-34 (Ill. App. Ct. 1984) ("[a] court will not resort to rules of construction where an agreement is clear and unambiguous.); *Spectramed Inc. v. Gould, Inc.*, 304 710 N.E.2d 1, 6 (Ill. App. Ct. 1998) ("If the contract is clear and unambiguous, the intent of the parties must be determined solely from the contract's plain language, and the court may not consider extrinsic evidence outside the "four corners" of the document."); *Nat. Aircraft Leasing v. American Airlines*, 394 N.E.2d 470, 475 (Ill. App. Ct. 1979) ("If the language in the contract is clear and unambiguous, then no evidence outside the contract itself may be considered in determining the contract's meaning."); *AIU Insur. Co. v. Superior Court*, 51 Cal.3d 807, 822 (Cal. 1990) (Parties' "intent is to be inferred, if possible, solely from the written provisions of the contract.") (citing Cal. Civ. Code §§ 1638, 1639); *Marek v. Napa Comm. Redevelopment Agency*, 46 Cal.3d 1070, 1084 n.11 (Cal. 1988) (lower court erred in using extrinsic evidence to interpret written contract where "it is axiomatic that where, as here, the contract is clear, the intention of the parties should be ascertained from the writing itself and in such an instance extrinsic evidence is inadmissible"); *Buckley v. Terhune*, 441 F.3d 688, 695-96 (9th Cir. 2006) (district court's application of California law was erroneous because it considered extrinsic evidence

before finding written agreement ambiguous, and a "court must first look to the plain meaning of the agreement's language").[12] Furthermore, under both Illinois and California law, the ordinary, natural, and customary meaning of the words in a written contract controls their interpretation. *See Hader v. St. Louis Southwestern Ry. Co.*, 566 N.E.2d 736, 741 (Ill. App. Ct. 1991) ("[I]t is an accepted rule of construction that words be given their usual and customary meaning."); *AIU Insur. Co.*, 51 Cal.3d at 822 ("The clear and explicit meaning of these provisions, interpreted in their ordinary and popular sense, unless used by the parties in a technical sense, or a special meaning is given to them by usage, controls judicial interpretation.") (citing Cal. Civil Code §§ 1644, 1648). [13]

1. INTERPRETATION OF THE STENOGRAPH CONTRACTS

The Stenograph contracts plainly and unambiguously show a licensing relationship rather than a purchase and sale relationship.

First and foremost, all of the Stenograph contracts, with the exception of the November 1985 contract, expressly provide that Stenograph is not transferring title, and that Stenograph continues to own the software copy and key. *See* Brenner Aff. Ex. 13 at 006006, 006010, 006016, 006019A, 006022, 006026, 006036, 006042, 006046, 006050, ¶ 4; 006056, 006061 ¶ 3. The November 1985 contract, however, expressly provides that Stenograph is granting the customer a nonexclusive

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[12] I recognize that several courts interpreting California law have held that a court must receive extrinsic evidence in determining whether the written contract is ambiguous, i.e., whether the written terms are reasonably susceptible to more than one interpretation. *See Pacific Gas & Electric Co. v. G.W. Thomas Drayage & Rigging Co.*, 69 Cal.2d 33, 37 (Cal. 1968); *United States v. King Features Entm't., Inc.*, 843 F.2d 394, 398 (9th Cir. 1988). Advantage does not invoke this doctrine, and that is sufficient for me not to consider it. But even if I did consider the *Pacific Gas* doctrine, however, it would not apply under the current facts because Advantage does not present the extrinsic evidence necessary to show that the words of the Xscribe contract are susceptible to multiple interpretations. Rather, it presents the evidence to show that the Xscribe contract is largely irrelevant in light of the "economic realities" of the transaction. This is more akin to an effort to vary the terms of the written contract, which *Pacific Gas* and its progeny prohibit. *See King Features*, 843 F.2d at 398 (letter could not be used to vary the unambiguous terms of the contract because it did not show that the contract's terms were susceptible to more than one interpretation).

[13] Advantage does not summarize or apply Illinois or California canons of construction in either its opposition to Stenograph's motion for summary judgment, its motion for summary judgment, or its reply in support of its motion for summary judgment.

license, and that the software copy remains the exclusive property of Stenograph. *See id*. at 006008 ¶¶ 4, 9. The contracts' titles, opening clauses, and definitions all consistently and repeatedly state that only a license is being created. The contracts are entitled, "Equipment Purchase and Software License Agreement," Brenner Aff. Ex. 13 at 006005, 006009, 006015, 006019, 006021, 006025, 00635, 006041, 006045, 006049, "Software License," *id*. at 006055, or "License Agreement for Single CPU Use of Proprietary Software," *id*. at 006007. Second, with the exception of the November 1985 and March 2001 contracts, the order form plainly states that the "Customer purchases the Equipment and licenses the Licensed Software from Stenograph." *Id*. at 006005, 006009, 006015, 006019, 006021, 006025, 00635, 006041, 006045, 006049, 006053, 006055. Third, the contracts define "Licensed Materials" as the "Licensed Software, the associated documentation we provide and the Software Key," *id*. at 006006, 006010, 06016, 06019A, 006022, 006026, 006036, 006042, 006046, 006050, 006056, 0060061, or define "Licensed Software" as the software provided to the "licensee," *id*. at 006008.

Moreover, in multiple clauses the contracts give Stenograph continued control over the customer's use of the software copy and key after they enter the customer's possession, thereby suggesting that the customer does not own them. First, all of the Stenograph contracts prohibit transfer of the software copy and key without Stenograph's written approval. *See id*. at 006006, 006010, 006008 ¶ 20(g), 006016, 006019A, 006022, 006026, 006036 ¶ 20(b); 006042, 006046, 006050 ¶ 19(b). Second, all of the Stenograph contracts provide that upon the customer's breach, he or she is required to immediately stop using the software copy and key, make no further use of them, and immediately return them to Stenograph. *See id*. at 006006, 006008, 006010, 006016, 006019A, 006022, 006026, 006036 ¶ 19; 006042, 006046, 006050 ¶ 18; 006056, 006061 ¶¶ 4, 5. Third, all of the Stenograph contracts require the customer to maintain Stenograph's confidentiality and trade secrets, and with the exception of the November 1985 contract, prohibit the customer from decompiling, disassembling, or reverse engineering the software copy or key. *See id*. at 006006, 006010, 006016, 006019A, 006022, 006026, 006036, 006042, 006046, 006050 ¶ 15; 006056, 006061 ¶ 2; 006008 ¶ 16(b); & 009086 ¶ 3. But this prohibition is at least implied in the November 1985 contract, because it requires the customer to adopt safeguards protecting Stenograph's trade secrets, and report any loss of confidentiality to Stenograph. *See id*. at 006008 ¶ 16(b).

In sum, reading the four corners of the Stenograph contracts - the titles, opening clauses, definitions, express provisions retaining title or creating only a license, and express provisions giving Stenograph control over the software copy and key - the contracts plainly and unambiguously create a licensing relationship. Thus, under Illinois law, Stenograph licensed its software copies and keys to each customer who executed a Stenograph contract.

This interpretation is fully consistent with federal copyright law and policy. Several decisions have found a license over a sale where the written contract contained provisions similar to the ones in Stenograph's contracts with its customers. *See Stargate Software, Inc.*, 216 F. Supp.2d at 1056-57 (finding a license instead of a sale where the parties' contract provides that the "software is proprietary to Adobe and that Adobe retains exclusive ownership of the software," that "reseller [is] to protect Adobe's proprietary rights," that "reseller is not granted any rights," and "outlines numerous restrictions on title that are imposed upon the reseller regarding distribution of its software"); *One Stop Micro, Inc.*, 84 F.Supp.2d at 1091 ("The numerous restrictions imposed by Adobe indicated a license rather than a sale because they undeniably interfere with the reseller's ability to further distribute the software."); *DSC Comms. Corp. v. Pulse Comms., Inc.*, 170 F.3d 1354, 1361 (Fed. Cir. 1999) (finding a license instead of a sale where contract provided that "All right title and interest in the Software are and shall remain with seller..."; contract limited the customer's "right to transfer copies of the...software or to disclose the details of the software to third parties"; and contract prohibited the customer "from using the software or hardware other than that provided" by the licensor);[14] *Stenograph, LLC v. Sims*, 2000 U.S. Dist. LEXIS 9619, *1, *2,*9 (E.D. Pa. July 12, 2000) (Stenograph did not sell software to customer where Stenograph license agreement provided that Stenograph continues to own the software and keys, only grants the licensee a right to use them

[14] I reject Advantage's argument that *DSC* applied the "economic realities" approach merely because it said that the "concept of ownership of a copy entails a variety of rights and interests." *DSC*, 170 F.3d at 1362. *DSC* determined the"variety of rights and interests" by looking at the written contract, which yielded a license. *See DSC*, 170 F.3d at 1360-62. I also reject Advantage's argument that *DSC* is distinguishable because the contract in that case absolutely barred transfer of the copy, whereas the contracts here permit transfer in certain circumstances. I read *DSC* to broadly hold that a user holds a license in a copy where the contract restricts the user's rights "in ways that are inconsistent with the rights normally enjoyed by owners of copies of software." *DSC*, 170 F.3d at 1361.

under conditions specified in agreement, and prohibits transfer of them without Stenograph's consent). *Cf. S.O.S., Inc.*, 886 F.2d at 1088 (finding software copy user exceeded scope of license where the "literal language of the parties' contract provides that S.O.S. retains all rights of ownership, contract language "plainly encompasse[d] not only copyright ownership, but also ownership of any copies of the software," and user exceeded scope of permitted use under written contract).[15]

Advantage argues that the text of several provisions in the Stenograph contracts create a sale over a license. Advantage points out that "many" of the contracts provide that "if you [customer] sell the licensed material to another party, the transaction is not recognized until a valid license transfer application is completed by the buyer and accepted by Stenograph." In fact, only three of the thirteen Stenograph contracts contain such language. *Compare* Brenner Aff. Ex. 13 006042, 006046, 006050 at ¶ 4, *with* 006006, 006008, 006010, 006016, 006019A, 006022, 006026, 006036 at ¶ 4; 006056, 006061 at ¶ 3. Although I agree that this clause does use "sale" instead of "license" language, it must be read in light of the fact that users may not understand what it means for them to "sub-license" their software copy and key to another user. Moreover, whatever inconsistency it creates in the words of the contract, it simply does not overcome the plain and unambiguous message sent by other provisions creating a license. The case that Advantage relies on also faced a contract that contained both "sales" and "license" language. *See Novell*, 2000 U.S. Dist. LEXIS 9975 at *17. The court nevertheless found a sale, given the language in multiple other provisions. *See id.* at *13-16. Similarly, I recognize that this brief clause in three of the thirteen contracts contains "sales" language, but still find a license given the weight of the other provisions.

Advantage points out that the contracts provide that customers who license a copy without also purchasing equipment do not receive a warranty, and receive the copy "as is." The contracts further provide that Stenograph discontinues any support services for software that it has discontinued. Yet Advantage cites no authority for the proposition that such provisions in a contract render it a "sale," in the face of provisions, such as the ones discussed above, which plainly create a

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[15] Advantage argues that *S.O.S.* is inapposite because it deals with an entirely different issue. I agree to a certain extent. The issue in *S.O.S.* was whether a user of a software copy exceeded the scope of his license, not whether he was granted a license versus a sale. *See S.O.S.*, 886 F.2d at 1087-89. But the court focused on the written contract over "economic realities," and to that extent, the outcome here is consistent with federal copyright law and policies embodied in *S.O.S.*

licensing relationship. Advantage notes that Stenograph charges customers a sales tax, and cites *Novell*, 2000 U.S. Dist. LEXIS 9975, at *14-*15, which found a sale over a license. *Novell* mentioned that the manufacturer charged a sales tax, but the decision really turned on a contract provision providing that "title to Novell products shipped to United States destinations and all risk of loss will pass to [the buyer] upon delivery." *Id*. at *16, *18. The contracts here expressly state the reverse: title *remains* in Stenograph. In light of that express provision, and multiple other provisions, I am not persuaded that the Stenograph contracts should be interpreted as a sale merely because Stenograph charges a sales tax.

Advantage also points out that Stenograph's "replacement software key policy" provides that Stenograph will only replace a stolen or destroyed key for $995.00, and Stenograph's publications encourage customers to insure their keys. Thus, Advantage argues, Stenograph's customers assume the total risk of loss or damage, which suggests that they own the software copy and key. First of all, the "replacement software key policy" that Advantage points out is only found in five of the thirteen Stenograph contracts. *See* Brenner Aff. Ex. 13 at 006042, 00646, 0006050, 006056, 006062. Second, I reject Advantage's interpretation of the replacement policy. Actually, the customer and Stenograph share the risk of loss to the key. Even if the customer is not under warranty or a current support contract, he can replace a damaged key for a nominal fee of $50.00, *see id*. at 006042, 006046, 006050, or $100.00, *see id*. at 006056, 006062. The $995.00 price for stolen or destroyed keys is a reduced price. *See id.*; Wynne Depo. at 102. Moreover, to the extent that replacement policy could be construed to support the view that Stenograph sells copies and keys, it does not overcome the plain, unambiguous language in multiple provisions providing that only a license in the software copy and key is granted.

Advantage urges me to look beyond the plain language of the contract and decide the issue based on the "economic realities" of Stenograph's relationship with its customers. It relies mainly on *Softman Products Company, LLC v. Adobe Systems Inc.*, 171 F. Supp. 2d 1075 (C.D. Cal. 2001). I am not, however, persuaded by *Softman*. *Softman* was based on the "economic reality" that "Adobe transfers large amounts of merchandise to distributors," who then "resell the product to other distributors in the secondary market," who, in turn, sell the merchandise to "the ultimate consumer." *Softman*, 171 F.Supp.2d at 1085. Given that the software copy changes hands so many times and

copies are distributed in bulk, the court found it untenable for Adobe to "characterize each transaction throughout the entire stream of commerce as a license." *Id*. at 1083. Advantage does not show how Stenograph's licensing system compares to Adobe's grand scale distribution, and thus, does not show how it is similarly untenable to view Stenograph as a licensor and its customers as licensees. Moreover, the written contract in *Softman* did not give Adobe control over subsequent transfers. The Adobe contract did not require the customer to obtain written approval in order to transfer a software copy, or to immediately return the copy upon breach. The only restriction on the customer's right to transfer the copy was that he "also transfer this Agreement, the Software and all other software or hardware bundled or pre-installed with the Software." *Id*. at 1082. The Stenograph contracts require both, and thus, more clearly establish that the customer does not own the software copy and key.

I recognize that *Softman* is not distinguishable to the extent that, in both cases, the customer typically makes a single payment for perpetual transfer of possession. But I reject *Softman*'s conclusion that these facts render a transaction a sale over a license. If the payment and duration provisions in the written contract are going to be looked at, so should all of the other provisions. In this case, multiple other provisions in the Stenograph contracts clearly establish a license over a sale. In fact, Professor Nimmer, whose opinion the *Softman* court relied on, *see id*. at 1086, has since changed his position on this issue. *See* Expert Report and Opinion of Prof. Raymond T. Nimmer at ¶ 60 ("It is clear today that the distinction between a sale and a license lies in the agreement and in what rights the transferee receives."), att'd as Ex. 3 to Second Affidavit of William Crispin. *See also DSC*, 170 F.3d at 1362 (rejecting as "overly simplistic" the view that a copy is sold rather than licensed merely because the contract provides for a single payment and perpetual right of possession). Advantage also relies on *Microsoft Corp. v. DAK Industries, Incorporated*, 66 F.3d 1091 (9th Cir. 1995), but that bankruptcy case does not help. The court's decision was based on whether the debt arose pre- or post-petition, whether the creditor gave post-petition consideration, and policies such as preventing the unjust enrichment of unsecured creditors, and encouraging creditors to do business with debtors-in-possession. *See id*. at 1095-97. These concepts and policies do not apply here.

I also reject Advantage's argument that Stenograph's restrictions on the transfer of copies and keys is illusory. Most of the Stenograph contracts provide that Stenograph will not unreasonably

withhold approval so long as the transfer fee is paid, and the record here shows that Stenograph regularly approves the transfer of a copy and key so long as the original user does not owe Stenograph any money and the transfer fee is paid. *See* L. Balderstone Depo. at 65, 110-11; D. Wynne Depo. at 134, 175; P. Seely Supp. Dec. Ex. C. Stenograph also presents its license transfer process as simple. *See* D. Wynne Depo. at 122-23. But merely because Stenograph's transfer process is quick and easy does not make the transfer restriction wholly illusory. Stenograph has denied license transfers, and reminds users that they must go through the transfer process (i.e., signing a form, paying a fee, and receiving written approval from Stenograph) in order to transfer the license. *See* Balderstone Depo. at 111, 118-20; Crispin Aff. Exs. 1, 3, & 4; Brenner Aff. Ex. 15; Wenclawski Aff. ¶¶ 11-12.[16]

Advantage also argues that the use restrictions in the Stenograph contracts are consistent with the rights of owners. It argues that the provision restricting the customer to use the copy on a single computer is consistent with an owner's right under 17 U.S.C. § 117(a) "to make...another copy...as an essential step in the utilization of the computer program in conjunction with a machine." Thus, Advantage concludes, this restriction does not necessarily make Stenograph users licensees. But it is not clear that using *a copy* on a computer, as understood by Stenograph and its customer, is the same as making *another copy* for use on a computer, as understood by Congress in § 117(a). Without citation to the record or case law, Advantage asserts that "in order to use any software, a purchaser must actually copy the software onto his hard drive." Advantage's Opposition to Stenograph's Motion for Summary Judgment at 8. But the case that Advantage cites states that the issue is more complicated, and should involve a determination of "whether the software is loaded into the RAM, the hard disk or the read only memory ("ROM")." *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 519 (9th Cir. 1993). Advantage needs to provide more law and/or facts on "copying" in the context of Stenograph CAT software before I can accept its blanket assertion. Even

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[16] Advantage presents evidence that on *one* occasion, Stenograph permitted Hamilton National Leasing, a financing company, to transfer a repossessed copy and key without obtaining Stenograph's prior written approval. The fact that Stenograph made an exception in this one instance did not render the transfer restriction wholly illusory even in that case. A transfer form was still signed by the new licensee, and a transfer fee was still paid. *See* Deposition of James Zelinskie at 44, 57.

if I accept this assertion, it still does not show that Stenograph's customers own the software copies they possess and use. The fact that Stenograph licensees and software copy owners share *a right* does not turn Stenograph licensees into owners. Indeed, many (if not all) software copy licensees and owners share at least one right: the right to use the software copy. But that similarity does not turn all of those licensees into owners. Furthermore, I do not even rely on the "single computer" use restriction in finding that the Stenograph contracts create a license. The multiple other provisions - which this argument does not touch - plainly create a license.

Advantage finally argues that restrictions on rights are consistent with ownership, and thus, Stenograph customers are not licensees merely because the Stenograph contracts restrict their right to use and transfer copies. It draws an analogy to condominium owners, who often have to obtain approval to transfer their units, and home owners, who often have to obtain approval to paint or modify their homes. I am not persuaded that the restrictions are analogous. Stenograph transfers possession to the copies under a contract requiring customers to maintain Stenograph's trade secrets, prohibiting him from disassembling or reverse-engineering the copy, requiring them to pay a fee in order to transfer, and permitting Stenograph to take the copy back in case of termination or breach.[17] These multiple restrictions, read along with the contracts' titles, opening clauses, definitions, and express provisions stating that Stenograph retains title and only grants a license, plainly and unambiguously show that Stenograph licenses software copies and keys to its customers. For all of these reasons, Stenograph's motion for summary judgment on Advantage's first sale defense as to transactions involving the Stenograph contracts is granted.

2. INTERPRETATION OF THE XSCRIBE CONTRACT

I am not convinced that the Xscribe contract creates either a licensing or sale relationship under California law. A simple reading of the Xscribe contract shows that the contract is ambiguous. It appears to be comprised of two separate documents: a "Sales Agreement," *see* Brenner Aff. Ex. 13 at 007060, and a "XEC-2001 License Agreement," *see id*. at 009086. There are inconsistencies

[17] *Martin v. Prarie Rod & Gun Club*, 348 N.E.2d 306, 308 (Ill. App. Ct. 1976), is inapposite because the issue there was whether a right of first refusal to purchase land is subject to the rule against perpetuities. It did not address the distinction between a license and ownership in software copies and keys.

between the documents, the inconsistent titles being the most obvious. In addition, the opening clause of the "Sales Agreement" provides that "Xscribe agrees to **sell** to Customer, and Customers agrees to **purchase** from Xscribe, the following software," *id*. at 007060 (emphasis added), while the "XEC-2001 License Agreement" provides that the customer is "granted a nonexclusive personal **license**," and has "**no ownership** in the Software," *id*. at 009086 ¶¶ 2, 3 (emphasis added). There are also inconsistencies within each document. The "Sales Agreement" provides that "All software included in the Products is **sold** with a single-user **license** and includes a...license agreement." *Id*. at 007061 ¶ 12 (emphasis added). Similarly, the "XEC-2001 License Agreement" provides that, "You, the original **purchaser**, are granted a nonexclusive personal **license**." *Id*. at 009086 ¶ 2 (emphasis added). These clauses leave the reader (and me) wondering, which is it?

Moreover, the contract does not require a customer who breaches the contract to immediately stop using and return the software copy and key. Upon breach, the customer is permitted to destroy the software without having to certify or prove destruction. *See id*. at 009086 ¶ 2. It is also silent on what a customer is to do with a key upon destruction of the software. *See id*. In sum, there are significant ambiguities that preclude summary judgment on the first sale defense as to the Xscribe contract. Since neither side directly addresses the content of the Xscribe contract in the context of California law, both Stenograph's and Advantage's motion for summary judgment on the first sale defense is denied as to transactions involving the Xscribe contract.

C. Vicarious Liability

Stenograph contends that the individual defendants – Mr. Seely, Ms. Seely, Mr. Brunner, and Ms. Brunner – are vicariously liable for the copyright infringement of their respective corporate entities – Advantage and Stenotech. "An individual, including a corporate officer, who has the ability to supervise infringing activity and has a financial interest in that activity, or who personally participates in that activity is personally liable for the infringement." *Southern Bell Tel. & Tel. Co. v. Assoc. Tel. Directory Publisher*s, 756 F.2d 801, 811 (11th Cir. 1985). A corporate officer has the "ability" to supervise where she has the "right" to supervise the infringing activity. *See, e.g.*, *id*. (finding individuals personally liable where they had a financial interest in the infringing activity and had the "right" to supervise the activity); *Walt Disney Co.,* 972 F.Supp. at 603 (interpreting *Southern Bell* to require imposition of personal liability on corporate director where director "had a financial

interest in the infringing activity and the *right to supervise* the subcontractor's activities") (emphasis in original); *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963) (finding licensor liable for licensee's infringing activity where licensor had a financial interest in success of licensee and "retained the ultimate right of supervision"). Personal liability may fall on corporate officers "even if they were ignorant of the infringement." *Southern Bell*, 756 F.2d at 811 (citing *Gershwin Publishing Co. v. Columbia Artists Mgmt.*, 443 F.2d 1159, 1162 (2d Cir. 1971)). *See also Shapiro*, 316 F.2d at 308 ("The imposition of liability upon the Green Company, even in the absence of an intention to infringe or knowledge of infringement, is not unusual."). In determining whether a corporate officer has a financial interest in the infringing activity, a court should consider, among other things, (1) whether the officer has made any loans to the corporation, and (2) whether he has an ownership interest in the corporation. S*ee, e.g.*, *Broadcast Music, Inc. v. Behulak*, 651 F.Supp. 57, 61 (M.D. Fla. 1986) (partner had a financial interest in infringing activity where she provided business $20,000 loan to finance and remodel restaurant, and was a 50% shareholder of the corporation running the restaurant).

Stenograph moves for summary judgment on the vicarious liability of each individual defendant. Stenotech moves for summary judgment only as to on Ms. Brunner's vicarious liability. Stenotech does not oppose Stenograph's motion as to Mr. Brunner and Advantage does not oppose Stenograph's motion as to the Seelys. Stenotech's motion is discussed later.

1. THE SEELYS & MR. BRUNNER

Mr. Seely and Mrs. Seely are vicariously liable for any infringement attributable to Advantage. They both had the right or ability to supervise the infringing activity, and had a financial interest in the infringing activity. Greg Seely is Advantage's president, and owns 48% of Advantage's stock. *See* G.Seely Depo. at 4. He dealt with Advantage's sales representatives concerning trade-ins, and the purchase and sale of used Stenograph software; discussed with Mr. Brunner the policies to govern trade-ins, and the prices for used software; and was involved in Advantage's marketing. *See* G. Seely Depo. at 49; Brenner Aff. Exs. 6, 7, 8; K. Brunner Depo. at 252. Portia Seely is Advantage's chief operating officer and owns 48% of Advantage's stock. P. Seely Depo. at 5. She paid Advantage's bills, signed license agreements, reviewed commission reports, and oversaw Advantage's finances. *See id*. The accounting department reported to her. *See id*. at 91. She also received money from

Stenotech for trade-ins, and trade-in orders were addressed to her. *See id*. at 25, 41-42. Thus, they are vicariously liable for Advantage's infringement because they had the right or ability to supervise, and had a financial interest in Advantage's infringing activity. *See Quartet Music v. Kissimmee Broadcasting, Inc.*, 795 F.Supp. 1100, 1104 (M.D. Fla. 1992) (vicarious liability imposed on president of radio station where he represented station in licensing matters, had a right to supervise station's internal operations, and owned station).

Mr. Brunner is vicariously liable for any infringement attributable to Stenotech. He founded Stenotech and is Stenotech's head buyer and seller during the relevant time period. *See* K. Brunner Depo. at 23, 45. His principal activity at Stenotech has been management of the overall business and sales. *See id*. at 44-45. Thus, he is vicariously liable for Stenotech's infringement because he personally participated in the infringing activity. *See Southern Bell*, 756 F.2d at 811 (vicarious liability may be imposed where the individually personally participates in the infringing activity).

The Seelys and Mr. Brunner do not dispute any of this evidence and do not oppose Stenograph's argument that they are vicariously liable for their respective corporations' infringement. Even, when viewed in the light most favorable to them, the undisputed evidence shows that Stenograph is entitled to summary judgment on the Seelys' vicarious liability for Advantage's copyright infringement, and Mr. Brunner's vicarious liability for Stenotech's copyright infringement.

2. MS. BRUNNER

Stenograph's motion for summary judgment as to Ms. Brunner's vicarious liability for Stenotech's infringement is denied because there are genuine issues of material fact as to her right or ability to control the infringing activity. The court in *Behulak*, which was bound by and applied *Southern Bell*, held that an individual could not be personally liable for her corporation's copyright infringement, even though she had "apparent corporate authority as Secretary/Treasurer, Director and [was a] 50% shareholder." *Behulak*, 651 F.Supp. at 59. Despite her ownership interest and titles, she did not have the ability or right to supervise the infringing activity because she did not make any management decisions, sign any checks, keep any records, sign any corporate income tax returns, or participate in hiring decisions. *See id*. at 61. She was merely a "silent partner" that loaned her co-owner capital "in order to help him get back on his feet." *Id*.

When viewed in the light most favorable to Ms. Brunner, the evidence supports a similar conclusion here. When Stenotech was founded in 1994, Mr. Brunner owned all 100 shares of Stenotech stock. *See* K. Brunner Depo. at 25. Mr. Brunner testified that he transferred all 100 shares to Ms. Brunner in exchange for a January 1, 1995, promissory note she executed in his favor. *See* K. Brunner Depo. 25; Brenner Aff. Ex. 23. He further testified that some time in 1997 or 1998, Ms. Brunner transferred the shares back to him. *See* K. Brunner Depo. at 33-38. Read in the light most favorable to Ms. Brunner, the evidence shows that she was a 100% shareholder of Stenotech stock for no more than about two years (1995 to 1997). Morever, she testified that until this litigation, she never knew that she ever owned 100% of Stenotech's stock. *See* S. Brunner Depo. at 88, 101-02, 107-08. Certainly, she may have known because she was president on the dates Stenotech's accountant signed its 1996 and 1997 tax returns, these returns state that she was a 100% shareholder, and "President" appears next to the signature line on each return. *See* Brenner Aff. Exs. 25, 26. But the signature lines on the returns are blank, she does not recall seeing the 1996 return, and did not testify as to whether she remembers signing the 1997 return. *See* S. Brunner Depo. at 82, 88.[18] The January 1, 1995, promissory note is evidence that Ms. Brunner knew she was a 100% shareholder because it shows that she pledged 100 shares of Stenotech stock as security for a loan to Mr. Brunner. *See* Brenner Aff. Ex. 23. But the second page of the note, where Ms. Brunner's signature appears, is not notarized and Ms. Brunner was not asked to verify her signature at her deposition. *See id.*

Ms. Brunner was the president of Stenotech from July 9, 1996 through September 14, 1999. *See* Brenner Aff. Ex. 24. But when viewed in the light most favorable to her, the evidence shows that this was no more than a title. She only signed two annual reports (1996 and 1997) as president. *See* Brenner Aff. Ex. 24. She signed an occasional check, but only when Mr. Brunner was not available. *See* K. Brunner Depo. at 37. Her on-going duties at Stenotech were entirely clerical, her involvement in hiring decisions could be viewed as minimal, and she never had a regular schedule of coming into

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[18] When asked whether she recognized the 1997 return, she merely responded, "I recognize what it says, yes." S. Brunner Depo. at 88. Viewed in the light most favorable to her, this merely shows that she recognized the document presented to her to be a Stenograph tax return, not that she remembers signing it or seeing it while she was the 100% shareholder.

the office. *See* S. Brunner Depo. at 19, 28-29, 34-35, 48, 112, 114. Moreover, her involvement was sporadic. She helped Mr. Brunner move the business in the fall, 1995, did nothing until the end of 1996, stopped helping in the middle of 1998, helped some in 1999, and then permanently stopped in 2000. *See* S. Brunner Depo. at 28-29, 45, 48, 56-58. She primarily raised her two newborn children from 1998 to 2000. *See* S. Brunner Depo. at 57. When she worked for Stenotech, she devoted no more than 25% of her time. *See* Brenner Aff. Exs. 25-27. In February, 2001, Marlin Leasing Company sent a letter to Stenotech and addressed it to Ms. Brunner. *See* Stenotech Sum. J. Mot. Ex. A. But this was well after she stopped working at Stenotech, after she stopped serving as an officer, and after she transferred the stock back to Mr. Brunner. *See* Brenner Aff. Ex. 24, 25-28; K. Brunner Depo. at 33-38. An e-mail trail shows that *Mr.* Brunner dealt with the customer discussed in the letter. *See* Stenotech Sum. J. Mot. Ex. B. The letter's statements that Ms. Chapman was "your customer," and her account "originated through you" could have easily referred to Stenotech, rather than Ms. Brunner. *See id*. While working for Stenotech, Ms. Brunner never supervised employees, never got involved in buying and selling Stenograph software, never discussed substance with Stenotech customers, and never spoke to the Seelys. *See* S. Brunner Depo. at 17, 36, 109.

The evidence further supports the conclusion that the transfer of stock and change in title was done solely to help Mr. Brunner avoid creditors. Mr. Brunner gave Ms. Brunner the stock in January, 1995, because Acculaw sued him. *See* Brenner Aff. Ex. 23, K. Brunner Depo. at 25. He gave Ms. Brunner the presidency in Stenotech in July of 1996, which Ms. Brunner believed happened because of his tax problems. *See* Brenner Aff. Ex. 24; S. Brunner Depo. at 57-58. Coincidentally, Ms. Brunner gave the stock and presidency back to Mr. Brunner after the Acculaw and tax matters settled. *See* K. Brunner Depo. at 33-38; Brenner Aff. Ex. 24. Viewed in the light most favorable to Ms. Brunner, the evidence shows a sham transfer of ownership and change in title, and a mere clerk whose largest connection to the infringing corporation being that she was married to its head figure.

Stenograph relies solely on *Southern Bell*'s rule that an individual is vicariously liable where he had the ability to supervise the infringing activity, and had a financial interest in the infringing activity. *See Southern Bell*, 756 F.2d at 811. Stenograph urges me to focus solely on the fact that for some time, Ms. Brunner was the president and/or 100% owner of Stenotech stock. But *Southern Bell*'s rule cannot be viewed in a vacuum. In *Southern Bell*, two corporate officers were found

vicariously liable: Mr. Lewis, the president of ATD-TX, and Mr. Cunningham, who controlled and managed ATD-Georgia. *See Southern Bell*, 756 F.2d at 804. Mr. Lewis testified concerning the company's past practices, and future expectations that confusion may result from the infringing mail solicitation. *See Southern Bell*, 756 F.2d at 806. He contracted with the individual that prepared the infringing mail solicitations. *See id.* at 804. Mr. Cunningham was a former employee of ATD-TX, and executed an agreement giving him the right to publish infringing telephone directories. *See id.* at 804. While employed at ATD-TX for many years, Mr. Cunningham was responsible for hiring and training its sales force. *See id.* at 812. Thus, the corporate officers found to be personally liable in *Southern Bell* stood in a very different position than Ms. Brunner. They where not completely unaware of their ownership interests in their respective corporations. They did not acquire their titles or ownership interests solely to help their spouses avoid creditors. Nor were their day-to-day activities merely clerical. When viewed in the context of its facts, *Southern Bell* does not entitle Stenograph to summary judgment against Ms. Brunner as a matter of law.

D. Joint and Several Liability Between Corporate Defendants

Stenograph moves for summary judgment on Advantage's and Stenotech's joint and several liability for the defendants' profits derived from trade-in transactions, as well as Stenotech's profits from the purchase and re-sale of used Stenograph software. Stenograph advances two independent theories for imposing joint and several liability: (1) Advantage and Stenotech were partners or practically partners; and (2) Advantage contributed to Stenotech's direct infringement. Advantage also moves for summary judgment on the issue of joint and several liability. Advantage's motion is discussed later.

1. Partnership or Practical Partnership

At any time before final judgment is entered, a plaintiff in a copyright infringement action may elect to recover actual damages and the profits of the infringer under 17 U.S.C. § 504(b), or statutory damages under 17 U.S.C. § 504©. *See* 17 U.S.C. § 504(a). Generally, "all infringers are jointly and severally liable for plaintiffs' *actual damages*, but each defendant is severally liable for his own illegal *profit*; one defendant is not liable for the profit made by another." *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 519 (9th Cir. 1985) (emphasis in original). *See also Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505, 517-18 (4th Cir. 2002); *Abeshouse v.*

Ultragraphics, Inc., 754 F.2d 467, 472 (2d Cir. 1985). However, an infringer may be jointly and severally liable for the profits of another infringer where the infringement was not innocent or where the fellow infringers were partners or practically partners. *See Abeshouse*, 754 F.2d at 472; *Frank Music Corp.*, 772 F.2d at 519. Factors to consider in determining whether fellow infringers were partners or practically partners are (1) whether the parties' legal relationship was a partnership instead of an employer/employee or independent contract relationship; (2) whether the parties shared the risk of loss; and (3) whether one infringer received a percentage of profits instead of a fixed salary. *See, e.g., Frank Music Corp.*, 772 F.2d at 519. A court may also consider whether the infringers contemplated a single transaction or a continuing business relationship. *Cf. Abeshouse*, 754 F.2d at 472 (jury could not reasonably find that printer was jointly and severally liable for distributor's profits where printer was merely an independent contractor which, "after receiving payment for printing the infringing poster,... retained no further interest in [distributor's] marketing activities").

Stenograph's motion for summary judgment on the issue of joint and several liability is denied. Viewing the evidence in the light most favorable to Advantage, there is evidence from which a reasonable jury could find that Advantage and Stenotech were not practically partners. Advantage referred business to Stenotech and kept an open line of communication between Advantage sales representatives and Stenotech. *See* Brenner Aff. Exs. 6, 8, 20. But neither Advantage nor its sales representatives received group or bulk prices, or referral fees from Stenotech. *See* G. Seely Depo. at 51. Advantage never negotiated the price of traded-in Stenograph software with Stenotech. *See id*. This is evidence that Advantage and Stenotech had an arms-length independent contractor relationship, and thus, were not practically partners. *See, e.g.*, *Frank Music Corp.*, 772 F.2d at 519. Moreover, there is evidence that Advantage or its sales representatives sold the used Stenograph software to Stenotech, and Stenotech immediately paid them for it. *See* G. Seely Depo. at 27 ("it could then be sent to Kerry Brunner who would pay us a dollar figure"); 28 ("We would come into possession of the software. And we would sell that to Stenotech..."); Brenner Aff. Ex. 6 ("They can contact Kerry...Currently he will pay..."); Brenner Aff. Ex. 8 ("I spoke with Kerry...He will currently pay the following prices..."). This is evidence that Advantage and Stenotech did not share the risk of loss that Stenotech bore when it re-sold used Stenograph software, and thus, were not practically partners. *See, e.g.*, *Frank Music Corp.*, 772 F.2d at 519.

2. CONTRIBUTORY INFRINGEMENT

Stenograph alternatively argues that Advantage is jointly and severally liable for Stenotech's direct infringement because it contributed to Stenotech's infringement. Stenograph has been granted summary judgment against Stenotech on its copyright infringement claim as to 279 transactions taking place from February 2, 1999, through July 23, 2001, where Stenotech bought and resold Stenograph software. *See supra* section III.A.2.a. Stenograph now argues that Advantage is jointly and severally liable for Stenotech's profits as to these same transactions. "The test for contributory infringement has been formulated as one who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another." *Casella v. Morris*, 820 F.2d 362, 365 (11th Cir. 1987). *See also Cable/Home Comm. Corp.*, 902 F.2d at 845. The "standard of knowledge is objective: know or have reason to know." *Casella*, 820 F.2d at 365. *See also Cable/Home Comm. Corp.*, 902 F.2d at 845.

Stenograph does not present sufficient evidence to show that, as a matter of law, Advantage contributed to Stenotech's infringement after January 21, 1999. The only evidence that Stenograph presents is a March 2000 e-mail message from Mr. Brunner that Mr. Seely forwarded to his sales representatives. *See* Brenner Aff. Ex. 20. In that e-mail, Mr. Brunner says to the sales representatives that "Stenotech will purchase many different types of CAT systems," and explains how Stenotech purchases and re-sells used CAT software. *See id*. The message also mentions that a benefit of helping Stenotech re-sell used CAT software is that it takes sales away from Stenograph. *See id*. The only act on the part of Mr. Seely - and thus, Advantage - was that he forwarded the message to the representatives. The extent of Mr. Seely's communication to the representatives was: "Kerry Brunner has asked that I forward the following post to you. You can reach Kerry at stenotec@adelphia.net." *Id.* But this does not nearly reach the level of contribution by the defendants in the cases Stenograph cites. In *Cable/Home*, 902 F.2d at 847, the court affirmed the district court's finding that the appellant contributed to the infringing distribution of pirated computer chips. The appellant gave the direct infringers equipment and funding, promoted the pirated chip on a weekly television show, offered to install the chip, and participated in a summit where the legality of the chip was addressed. *See id*. at 834-35, 846-47. In *Casella*, 820 F.2d at 365-66, the court affirmed the district court's finding that the appellant contributed to the infringing distribution of

songs at childrens' theme restaurants. The appellant sold the restaurant franchise and the franchise rights to the songs to the direct infringers. He knew that the franchise's license to use the songs had terminated, but he "did nothing to stop the transfer, limit its effect, inform the other parties of the rescission, or communicate in any way the termination of the Fuzzy Wuzzy song rights." *Id*. Stenograph fails to show that forwarding an e-mail to sales representatives is tantamount to active promotion, solicitation and financial support, as in *Cable/Home*, or a sale of a terminated license, as in *Casella*.[19]

IV. STENOTECH'S MOTION FOR SUMMARY JUDGMENT

Insofar as Stenograph's copyright claim is concerned, Stenotech's motion for summary judgment raises only one issue: Ms. Brunner's vicarious liability for Stenotech's infringement. The relevant law is summarized above, *see supra* section III.C., and need not be repeated here.[20]

Stenotech's motion for summary judgment as to Ms. Brunner's vicarious liability is denied. Viewing the evidence in the light most favorable to Stenograph, there is evidence from which a reasonable jury could find that Ms. Brunner had the ability or right to supervise the infringing activity at Stenotech. Stenotech's corporate income tax returns show that she was Stenotech's sole shareholder from 1996 through 1999. *See* Brenner Aff. Exs. 25-28. She did testify that she did not know until this litigation that she was a 100% shareholder, and that she does not recall signing the 1996 Stenotech tax return, which states that she is a 100% shareholder. *See* S. Brunner Depo. at 82, 88, 102, 107-08. But there is conflicting evidence suggesting that she did know she was a 100% shareholder. On January 1, 1995, a $10,000 promissory note was executed in Mr. Brunner's favor.

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[19] The other cases that Stenograph string-cites actually help Advantage because those courts found genuine issues of fact as to contributory infringement. *See Wales Ind., Inc. v. Hasbro Bradley, Inc.*, 612 F.Supp. 510, 518 (S.D.N.Y. 1985) (finding that determination on "knowledge" and "contribution" elements were fact issues that needed to await trial); *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F.Supp. 399, 403-05 (S.D.N.Y. 1966) (refusing to find for one side as a matter of law, despite urging of the parties for a judgment as a matter of law, where affidavits presented genuine issue of fact).

[20] In its motion for summary judgment, Stenotech also joins in Advantage's motion for summary judgment. As discussed later, Advantage's motion for summary judgment, insofar as Stenograph's copyright claims is concerned, is denied. Thus, Stenotech's motion is denied to the extent it joins in Advantage's motion.

See Brenner Aff. Ex. 23. The note was secured by 100 shares of Stenotech stock, and the second page is signed, "Sandra Brunner." *See id*. Furthermore, while the signature lines on all of the tax returns are blank, the space for the corporate officer's title reads, "President." *See* Brenner Aff. Exs. 25-28. According to Stenotech's annual reports, Ms. Brunner was Stenotech's president on the dates the 1996 and 1997 corporate tax returns were signed by Stenotech's accountant. *See* Brenner Aff. Exs. 24-26. One could reasonably infer that, as Stenotech's president, Ms. Brunner signed the 1996 and 1997 tax returns before they were filed with the IRS. Moreover, she was Stenotech's president from July 9, 1996, through September 16, 1999, and there is no dispute that she knew she was president. *See* Brenner Aff. Ex. 24, S. Brunner Depo. 57-58. Before she was Stenotech's president, Ms. Brunner was its secretary/treasurer. *See* Brenner Aff. Ex. 24.

The evidence also shows that Ms. Brunner was not a complete absentee. She signed Stenotech's annual reports in 1996 and 1997, and signed checks for Stenotech. *See* Brenner Aff. Ex. 24; K. Brunner Depo. at 37. She received a paycheck from Stenotech while she did clerical work there, devoted 25% of her time to it for three years, was its highest paid officer in 1996, and exercised some control in employee hiring decisions. *See* Brenner Aff. Exs. 25-27; S. Brunner Depo. at 48. Although it was after she left Stenotech, Marlin Leasing sent Ms. Brunner a letter regarding, "your customer," that sates the "account originated through you." Stenotech Mot. Sum. J. Ex. A. Viewed in the light most favorable to Stenograph, the evidence supports the conclusion that Ms. Brunner chose not to exercise her right to supervise or control, but nevertheless had the right or ability to supervise. *See Southern Bell*, 756 F.2d at 811.

Walt Disney supports this finding. In *that case, see* 972 F.Supp. at 597-98, 600, the plaintiffs moved to hold an infringing corporation and its director in contempt for failing to comply with the court's injunction. Like Ms. Brunner, the director was the corporation's sole shareholder. *See id*. at 602. Like Ms. Brunner, the director merely performed clerical tasks at the corporation's video store, and did not have any control over purchasing decisions. *See id*. at 602-03. Applying *Southern Bell*, this court found that the director was personally liable because she had "the right to supervise the infringing activity" and had a financial interest in the corporation. *Id*. at 603. Ms. Brunner attempts to distinguish *Walt Disney* on the basis that the director in that case, unlike Ms. Brunner, "clearly knew of the Court's prior orders, and the fact that she, her son and her store, had all been

cited for prior infringements[.]" *Id*. But this distinction is not significant because this merely shows that the director in *Walt Disney* knew of the infringing activity, and *Southern Bell* makes clear that individual liability may be imposed even where the corporate officer is ignorant of the infringing activity. *See Southern Bell*, 756 F.2d at 811.

There is also evidence from which a reasonable jury could find that Ms. Brunner had a financial interest in Stenotech's infringing activity. Ms. Brunner received compensation from Stenotech, and at one point was its highest paid employee. *See* Brenner Aff. Exs. 25-27. Corporate income tax returns show that she was its sole shareholder from 1996 to 1999. *See* Brenner Aff. Exs. 25-28. She also made a loan of less than $50,000 to Stenotech. *See* S. Brunner Depo. at 115-16. These facts suggest that there is a genuine issue of fact as to whether she had a financial interest in Stenotech's infringing activity. *See Behulak*, 651 F.Supp. at 61 (partner had a financial interest in infringing activity where she provided business $20,000 loan to finance and remodel restaurant, and was a 50% shareholder of the corporation running the restaurant). Therefore, Stenotech's motion for summary judgment as to Ms. Brunner's vicarious liability for Stenotech's copyright infringement is denied.

V. ADVANTAGE'S MOTION FOR SUMMARY JUDGMENT

A. FIRST SALE DEFENSE

Advantage moves for summary judgment on its first sale defense. The material facts as to the defense have already been summarized. For the reasons discussed above, Advantage's motion for summary judgment on the first sale defense is denied as to both the Stenograph contracts and the Xscribe contract. Transactions involving the Stenograph contracts are licenses as a matter of law. Due to lack of briefing, Advantage fails to show that transactions involving the Xscribe contract are sales as a matter of law. I do not reach the issue of whether Advantage's motion for summary judgment should be denied on the basis that it cannot "trace" each transaction to a sale by Stenograph because Advantage has not shown that *any* transactions between Stenograph and its customers were sales.[21]

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[21] Stenograph raises this "tracing" argument only in its opposition to Advantage's motion for summary judgment. It does not raise this argument in support of its own motion for summary judgment on the first sale defense.

B. All 188 Alleged Trade-In Transactions

As discussed above, *see supra* section III.A.2.b, Stenograph argues that Advantage conducted 188 unauthorized trade-in transactions from March, 1995 through August, 2001. *See* Panfil Aff. ¶ 2, Ex.1. Advantage moves for summary judgment on all 188 transactions. In support of its motion, Advantage raises the same arguments discussed above. It argues that it complied with Stenograph's licensing requirements because end users regularly filled out license transfer forms. It further argues that Stenograph really has no restriction on transfers because it approved transfers as long as the original user was paid in full and a transfer fee was paid, and it often approved them after the new user took possession. These arguments have been addressed and rejected. *See supra* section III.A.2.b. Therefore, Advantage's motion for summary judgment as to all 188 alleged trade-in transactions is denied.

C. 645 Transactions: Joint & Several, Conspiracy, and Aiding & Abetting Liability

1. Joint & Several Liability

Stenograph has prepared a list of 645 transactions from 1997 through 2001 where Stenotech acquired and then re-sold Stenograph software. *See* P. Seely Dec. ¶ 7, Ex. 2. Advantage moves for summary judgment on its joint and several liability for Stenotech's profits on all 645 transactions. The applicable law is summarized above, *see supra* section III.D.1, and there is no need to repeat it here. In support of its motion, Advantage makes the same arguments and points to the same evidence it cited in opposition to Stenograph's motion for summary judgment on joint and several liability. Advantage argues that it cannot be jointly and severally liable for Stenotech's profits because the Brunners and Seelys did not meet until 1997 or 1998, *see* K. Brunner Depo. at 14; Stenotech and Advantage kept separate books and records, *see id.* at 41-56; Advantage did not receive group or bulk prices or referral fees, *see* G. Seely Depo. at 51; Advantage did not negotiate the price of software with Stenotech and merely paid the going rate, *see id.,* and neither Advantage nor the Seelys had an interest in Stenotech's business, *see id.* at 52.

Advantage's motion for summary judgment on the issue of joint and several liability is denied. Viewing the evidence in the light most favorable to Stenograph, there is evidence from which a reasonable jury could find that Advantage and Stenotech were practically partners. Mr. Seely promoted Stenotech to his sales representatives. In July of 1998, Mr. Seely spoke with Mr. Brunner

about the prices he would pay for traded in software. *See* G. Seely Depo. at 47-49; Brenner Aff. Ex. 8 at 1-2. In September of 1997 and August of 1998, Mr. Seely communicated Mr. Brunner's prices to Advantage's sales representatives. *See* Brenner Aff. Exs. 6, 8. In March of 2000, Mr. Seely forwarded an e-mail from Mr. Brunner to Advantage sales representatives, where Mr. Brunner informs the representatives about Stenotech's business, offers to take CAT software in trade, and mentions the parties' common goal of taking business away from Stenograph. *See* Brenner Aff. Ex. 20. This is evidence that Advantage retained a continuing interest in Stenotech's business, and thus, that Advantage and Stenotech were practically partners. *Cf. Abeshouse*, 754 F.2d at 472. Moreover, there is evidence that Advantage or its sales representatives were not paid until after Stenotech re-sold the used Stenograph software to a new user. Mr. Seely testified to that effect. *See* G. Seely Depo. at 62 ("A: We have given copies of the software to Kerry Brunner to sell. Q: And received money in exchange therefore? A: After Kerry Brunner sold them to someone else."). In the March 2000 e-mail that Mr. Seely forwarded to his sales representatives, Mr. Brunner told the sales representative, "The other alternative is for you to put them directly in contact with us. We'll handle all aspects of the sale and pay you your commission **as soon as the deal is completed**." Brenner Aff. Ex. 20 (emphasis added). If Stenotech could not find a buyer, then Advantage's sales representatives would not receive their commission, and Advantage would not recover the discount it gave on the trade-in. This is evidence that Advantage and Stenotech shared the risk of loss on Stenotech's sales to new users, and thus, that Advantage and Stenotech were practically partners. *See, e.g.*, *Frank Music Corp.*, 772 F.2d at 519.

2. Conspiracy & Aiding and Abetting Liability

Advantage moves for summary judgment on Count VII of Stenograph's second amended complaint, alleging a claim for Florida common law civil conspiracy, on the ground that Advantage and Stenotech (1) had no agreement; and (2) did not possess a "peculiar power of coercion" as conspirators. Advantage correctly points out that I already found that, "Stenograph cannot base its conspiracy claim on copyright infringement because copyright infringement is not a Florida tort." June 21, 2001, Order at 4. Because Stenograph's conspiracy claim can only be based on unlawful acts to misappropriate trade secrets and convert property, I address Advantage's arguments in the companion order on Stenograph's trade secret misappropriation and conversion claims.

Advantage also moves for summary judgment on Count VIII of Stenograph's second amended complaint, alleging a claim for common law aiding and abetting liability. While it is not entirely clear, Advantage appears to argue that it is entitled to summary judgment on Stenograph's aiding and abetting claim because my June 21, 2001, order struck a portion of Count VIII. But I only struck the portion of Count VIII alleging relief in the form of third-party profits, such as profits gained by court reporters. *See id*. at 6. The order did not address the other remedies Stenograph requested in Count VIII, such as compensatory damages and the defendants' profits, *see* Compl. ¶ e, p.41, and the order expressly denied the motion to dismiss the entire aiding and abetting claim. *See* June 21, 2001 Order, at 6, n.2.[22] Advantage does not challenge these other remedies for aiding and abetting liability, or any other aspect of Stenograph's aiding and abetting claim, and thus, its motion for summary judgment on Stenograph's aiding and abetting claim is denied.

D. The Disputed 98 Transactions

Stenograph has filed a chart of 188 transactions that it maintains were unauthorized trade-ins to Advantage. *See* Panfil Aff. Ex. 1. Advantage moves for summary judgment on 98 transactions listed in the chart. Advantage provides the list of 98 transactions that it moves for summary judgment on in ¶ 4 of Ms. Seely's declaration. It makes an argument generally applicable to all 98 transactions, and then other arguments applicable to specific subgroups of the 98 transactions. I address each argument in turn.

● **98 Transactions in General:** Advantage's basis for moving for summary judgment on all 98 transactions is that none of these transactions fit the definition of a "trade-in." Thus, the only way its motion on these 98 transactions can be resolved is if there is a definition of "trade-in" to apply to the 98 transactions. Ms. Seely generally avers that a "majority of the transactions detailed in Stenograph's Chart of Transactions were not trade-in transactions and Advantage did not have any involvement with and did not provide those customers with a credit or discount for the sale of those customer's used Stenograph software to Stenotech." Declaration of Portia Seely ("P. Seely Dec.") ¶ 4. This general averment about the "majority" of the 98 transactions does not entitle Advantage to summary judgment as to any particular transactions because Ms. Seely does not specify which

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[22] I also denied the defendants' attempt to summarily apply their arguments on the conspiracy claim to the aiding and abetting claim. *See* Defendants' Motion to Dismiss [D.E. 128] at 6, n.2.

transactions are included in this "majority." I do not suppose that Advantage expects me to pick 50 or so transactions at random, and grant it summary judgment on those transactions on the basis of this averment. Ms. Seely goes on to state that "[b]ased on my review of Advantage's customers' orders and related documentation, the following 98 transactions detailed in Stenograph's Chart of Transactions were not trade-in transactions[,]" and then proceeds to list the 98 transactions. *Id*. But Ms. Seely does not specify what about these 98 transactions excludes them from the definition of a "trade-in." Thus, this general averment is rebutted by Mr. Panfil's affidavit, where he generally avers that the same 98 transactions were trade-in transactions. *See* Panfil Aff. ¶ 3. With the parties' general averments aside, I turn to the arguments they present on particular transactions.

Before proceeding, however, I will address one issue. Stenograph argues that I should not consider several sworn statements by court reporters that Advantage filed in support of its motion for summary judgment. Advantage served Stenograph with a notice to depose Lisa Frizzel on June 11, 2002, and Cynthia Orson on June 6, 2002. *See* Stenograph's Emergency Motion for Protective Order to Preclude Defendants from Taking 12 Depositions [D.E. 350] at 7. I granted Stenograph's emergency motion for a protective order to preclude the taking of these depositions. *See* Order [D.E. 353]. I also denied Advantage's motion for reconsideration of my previous ruling. *See* Order [D.E. 403]. Instead of taking their depositions, Advantage took "sworn statements" from these witnesses. The statements were taken outside the presence of Stenograph's counsel, and without giving Stenograph an opportunity for cross-examination. Stenograph argues that these statements should not be considered because they were taken in contravention of my protective order. Stenograph also argues that since sworn statements are not specifically mentioned in Rule 56(c), they may not be considered on summary judgment. I reject Stenograph's arguments because there is a distinction between sworn statements and depositions, and sworn statements are admissible on summary judgment. *See, e.g.*, *Bozeman v. Orum*, 422 F.3d 1265, 1268 n.1 (11th Cir. 2005) (rejecting argument that witness' statement, "made under oath in question-and-answer format and given before a court reporter" was inadmissible on summary judgment, because "sworn statements given before court reporters are at least as reliable as signed affidavits and are properly considered on summary judgment."). Thus, I consider the sworn statements of Lisa Frizzel, Cynthia Orson, Lisa Graham, Carol Holdnack, Kenna Smith, William Thomas Jimenez, and Maria Tamburrino.

● **Lisa Frizzell:** Advantage's motion for summary judgment as to this is transaction is granted. Advantage filed a sworn statement from Ms. Frizzell, where she testified that her decision to sell her Stenograph software to Stenotech was completely unconnected to her decision to purchase Advantage software. *See* Sworn Statement of Lisa Frizzell ("Frizzell Stmt.") at 5. She found Stenotech to buy her Stenograph software by searching advertisements in a trade publication. *See id*. at 5-6. Stenograph presents no evidence that she received a discount on the purchase of her new Advantage software. The only evidence that Stenograph offers to rebut her sworn statement is its chart of 188 transactions. *See* Panfil Aff. Ex. 1. But at most, the chart shows that Ms. Frizell purchased Advantage software, and then at some later point in time, sold their Stenograph software. *See id*. But Ms. Frizzel did not even purchase the Advantage software; her employer purchased it. *See* Frizzell Stmt. at 3. Moreover, Stenotech acquired Ms. Frizzell's Stenograph software about four months after her employer purchased the Advantage software. *See* Panfil Aff. Ex. 1. But Stenograph software is usually traded-in within 30 to 60 days. *See* Brenner Aff. Ex. 7; P. Seely Depo. at 101; Panfil Aff. ¶ 3. Thus, the long lapse in time between transactions further supports that they were entirely distinct and unrelated. Stenograph's only rebuttal evidence is Mr. Everhart's deposition testimony that in some cases, trade-ins were "endless," "painful," and in some cases, users would drag out grace periods. *See* J. Everhart Depo. at 107. While this testimony suggests that the long lapse in time is not dispositive, it does not create an issue of fact. Ms. Frizzel did not deal with Mr. Everhart or his company, EVerbatim, and he was not referring to these particular transactions when he testified. *See id*.; Panfil Aff. Ex. 1. In sum, the chart and Mr. Everhart's testimony do not create an issue of fact as to Advantage's direct liability for copyright infringement on Ms. Frizzell's transaction. There must be some additional fact showing that Advantage was involved in Stenotech's acquisition of the Stenograph software. Advantage was only involved in the sale of its own software.

● **Carol Holdnack:** Advantage's motion for summary judgment is granted as to this transaction. Ms. Holdnack testified that she bought new Advantage software, and then later sold her used Stenograph software to Stenotech. *See* Sworn Statement of Carol Holdnack at 4-5. She also testified that she did not receive any trade-in by Advantage, and did not choose Advantage because of any trade-in offer. The only rebuttal evidence that Stenograph presents is its chart of 188

transactions, which merely shows that Ms. Holdnack purchased Advantage software on November 18, 1999, and Stenotech acquired her used Stenograph software on February 1, 2000. *See* Panfil Aff. Ex. 1. But this does not mean that Advantage or a sales representative ever had possession of her Stenograph software. Moreover, the transactions were over 60 days apart, and Stenograph software is usually traded-in to Advantage within 30 to 60 days. *See* Brenner Aff. Ex. 7; P. Seely Depo. at 101; Panfil Aff. ¶ 3. The longer lapse in time is further evidence that the two transactions were unrelated.

● **Gilbert Frank Halasz:** Advantage's motion for summary judgment is denied as to this transaction. Advantage relies on Mr. Halasz's testimony that he switched from Stenograph software to Advantage software because of his dissatisfaction with Stenograph, rather than because of any trade-in. *See* Deposition of Gilbert Halasz ("Halasz Depo.") at 6. Advantage also relies on his testimony that he would have given away his Stenograph software for free even if he could not sell it to Stenotech. *See id*. at 9. But Mr. Halasz also testified that in a phone conversation with Mr. Brunner, he discussed both buying Advantage software, and selling his Stenograph software. *See* Halasz Depo. at 15-16, 27. And the Stenotech order forms for Mr. Halasz state "trade in" next to the names of two copyrighted Stenograph software products. *See* Crispin Aff. Ex. 21. Thus, there is a genuine issue of material fact as to this transaction.

● **Lora Carter:** Advantage's motion for summary judgment is denied as to this transaction. Some of Ms. Carter's testimony suggests that she was motivated by the possibility of trading in her used Stenograph software when she purchased Advantage software. *See* L. Carter Depo. at 16 ("I called and asked them – told them what I had and that I wanted to trade it in or to sell it because I was interested in getting another system[.]"), 31 ("I wanted the Eclipse because I thought Eclipse was better for me, so I sold it [the Stenograph software] to get Eclipse."). There is thus a genuine issue of material fact as to this transaction.

● **Kenna Smith:** Advantage's motion for summary judgment is denied as to this transaction. Ms. Smith testified that she ended up sending her Stenograph software back to Stenograph. *See* Sworn Statement of Kenna Smith at 4. But Stenograph's chart of 188 transactions conflicts with her testimony. *See* Panfil Aff. Ex. 1. It states that Stenotech acquired her Stenograph software on

January 19, 1999, re-sold it to Barbara Hartman, and received $920.00 in revenue from the re-sale. Thus, there is a genuine issue of material fact as to this transaction. *See id*.

● **Lynn Barasch:** Advantage's motion for summary judgment as to this transaction is denied. Ms. Barasch averred that at the time of her affidavit, they still owned and possessed their Stenograph software. *See* Affidavit of Lynn Barasch ¶ 3. But Mr. Susman, a former Advantage sales representative, averred that Ms. Barasch traded in her Stenograph software in exchange for Advantage software. *See* Affidavit of Gavin Susman ("G. Susman Aff.") ¶¶ 4, 5. Thus, there is a genuine issue of material fact as to these transactions. I already rejected Advantage's argument that this portion of Mr. Susman's affidavit constitutes perjury [D.E. 527]. I further reject Advantage's argument that this portion of his affidavit is based on inadmissible hearsay.[23] As an Advantages sales representative with eight years of experience, Mr. Susman can base his determination on his personal knowledge. It is based on personal knowledge because Ms. Barasch purchased her Advantage software through Mr. Susman's company, Solutions of America.

● **Steven Karlin and June LaRose:** Advantage's motion for summary judgment as to these transactions is denied. Both Mr. Karlin and Ms. LaRose bought their Advantage software through Advantage sales representative Solutions of America, Mr. Susman's company. Mr. Susman averred that these were trade-in transactions. *See* G. Susman Aff. ¶ 4. Mr. Susman's affidavit is supported by the internal order forms attached as exhibits to his affidavit. The forms relating to Mr. Karlin's and Ms. LaRose's transactions expressly state that they are trade-ins. Ms. Seely counters Mr. Susman's affidavit by stating that these were not trade-ins because both Mr. Karlin and Ms. LaRose never purchased Advantage software, and received refunds from Advantage. *See* P. Seely Dec. ¶ 5. But the forms attached to Mr. Susman's affidavit do not indicate these were refunded, and Ms. Seely does not attach any documentation to her declaration or affidavit supporting her averments. Thus, there is a genuine issue of material fact as to these transactions.

● **Trudeau & Martin, and 4 Unidentified Everbatim Transactions:** While Advantage does not make an argument as to these particular transactions in its motion for summary judgment,

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[23] Advantage raised this argument in its motion to strike Mr. Susman's affidavit. *See* Motion to Strike Affidavit of Gavin Susman [D.E. 488] at 1-2. I said that I would address this argument on summary judgment. *See* Order [D.E. 527] at 1.

Stenograph does mention them in its opposition. *See* Stenograph's Opp. to Advantage's Sum. J. Mot. at 17. I do not decide whether Advantage is entitled to summary judgment on these transactions because Advantage admits that these "were not part of the 98 transactions for which [it] sought summary judgment." Advantage's Reply at 5 n.3.

● **William Thomas Jimenez, Maria Tamburrino, Dianne Smith, Pam Durrant, Melody (a/k/a "Milody") Williams, and William Falcone:** These are all transactions that Advantage first mentions in its reply in support of its motion for summary judgment. *See* Advantage's and Seelys' Reply to Stenograph's Opposition to Defendants' Motion for Summary Judgment [D.E. 473] at 3-4. They are not mentioned in either Advantage's original motion for summary judgment, or Stenograph's opposition to Advantage's motion for summary judgment. *See* Advantage's Sum. J. Mot. at 21-23; Stenograph's Opposition to Advantage's and Seelys' Motion for Summary Judgment ("Stenograph's Opp. to Advantage's Sum. J. Mot.") [D.E. 452] at 16-18. There is insufficient briefing on these transactions. Thus, to the extent it moves for summary judgment on these transactions, its motion is denied.

E. Stenograph's Entitlement to Statutory Damages and Attorneys' Fees under the Copyright Act

Stenograph seeks statutory damages and attorneys' fees for the defendants' alleged copyright infringement. *See* Compl. at ¶ 74, p. 26 ¶ e. Advantage moves for summary judgment on the issue of Stenograph's entitlement to statutory damages and attorneys' fees for its and Stenotech's copyright infringement of Stenograph's software. Generally, a victim of copyright infringement may recover statutory damages (upon election) under 17 U.S.C. § 504, and attorneys' fees under 17 U.S.C. § 505. But "[a]s a procedural matter, the plaintiff copyright owner must have registered the copyright prior to the infringement in order to obtain statutory damages," *Cable/Home Communication Corp. v. Network Productions, Inc.*, 902 F.2d 829, 850 (11th Cir.1990), or attorneys' fees, *see Data General Corp. v. Grumman Systems Support Corp.*, 825 F.Supp. 361, 364 (D.Mass. 1993). This registration prerequisite is imposed by 17 U.S.C. § 412(2), which provides that statutory damages under § 504 and attorneys' fees under § 505 shall not be awarded for "any infringement of copyright commenced after first publication of the work and before the effective of its registration, unless such registration is made within three months after first publication of the work."

The infringement "commence[s]," *id*., upon the first act of infringement, and even when the defendant continues to infringe on the owner's copyright after registration, § 412(2) precludes the owner from recovering statutory damages or attorneys' fees. *See Johnson v. Jones*, 149 F.3d 494, 506 (6th Cir.1998) ("Every court to consider this question has come to the same conclusion; namely, that infringement 'commences' for the purposes of § 412 when the first act in a series of acts constituting continuing infringement occurs."); *Singh v. Famous Overseas, Inc.*, 680 F.Supp. 533, 535 (E.D.N.Y. 1998) (finding that infringement commenced upon first manufacture and sale of work, and denying statutory damages or attorneys' fees for all of defendants' infringing sales, which included sales made after plaintiff registered), *aff'd*, 923 F.2d 845 (2nd Cir. 1990) (table decision); *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 609 F.Supp. 1325, 1331 (E.D. Pa. 1985) (interpreting "'commencement of infringement' as the time when the first act of infringement in a series of on-going discrete infringements occurs, *i.e.,* the first infringing sale in a series of on-going separate sales," and denying attorneys' fees "[a]lthough there were other and continuing acts of infringement of copyright after" registration).

But the applicability of § 412 is judged on a work-by-work basis; statutory damages and attorneys' fees can only be denied for acts that infringed on the particular works that were not timely registered under § 412. *See, e.g. Knitwaves, Inc. v. Lollytogs, Ltd.*, 71 F.3d 996, 1012 (2nd Cir. 1995) (attorneys' fees allowed for lawyers' time on claim relating to work that was timely registered under § 412, but not lawyers' time on claim relating to work that was not timely registered under § 412); *Independent Living Aids, Inc. v. Maxi-Aids, Inc.*, 25 F.Supp.2d 127, 131 (E.D.N.Y. 1998) ("pursuant to...§ 412(2), [plaintiff] is not be entitled to attorneys' fees on 15 of the 17 catalogs at issue, because they were registered more than 3 months after first publication...however, [plaintiff] is deserving of counsels' fees with respect to the two catalogs at issue which were published within the three-month grace period").

Advantage's motion is denied as to all transactions taking place before January 21, 1999.As to those transactions taking place before January 21, 1999, there has been no finding as to which particular transactions infringed on Stenograph's copyrights. I denied Stenograph summary judgment against Advantage on Stenograph's copyright claim as to the four transactions where Advantage admits it took possession of Stenograph's software in conjunction with a trade-in, because there is

no evidence as to which kind of Stenograph software was involved in, and the exact date of, those four transactions. Thus, as to Advantage's infringing trade-in transactions, it is impossible to apply to § 412(2) at this stage. As to the larger universe of transactions where Stenotech purchased and re-sold Stenograph software, Stenograph only moved for summary judgment on its copyright claim as to those 279 transactions that took place after January 21, 1999. *See* P. Seely Supp. Dec., Ex. B (chart of 279 infringing transactions). I granted Stenograph's motion. Since I have found, as a matter of law, that those post-January 21, 1999, transactions were infringing transactions, and there is a chart listing the software involved, and the exact date of each transaction, § 412(2) can be applied to those 279 transactions.

Applying § 412(2) to those 279 transactions, Advantage's motion is granted only as to those transactions where Stenotech purchased and re-sold Stenograph's Case CATalyst software. Stenograph registered four kinds of software after January 21, 1999: Rapidwrite PRO 1.0, Case CATalyst, Case CATalyst 2.04, and Case CATalyst 3.0. *See* Brenner Aff. Ex. 1. According to the chart of the 279 infringing transactions, all of the transactions involving three of the four works took place after Stenograph registered its copyright in them. Stenograph registered Rapidwrite PRO 1.0 on November 19, 1999, and the first transaction involving that software was on January 5, 2001. *See* Brenner Aff. Ex. 1; P. Seely Supp. Dec. Ex. B at 4.[24] Stenograph registered Case CATalyst 2.04 on October 4, 2000, and I cannot locate a single transaction on the chart involving Case CATalyst 2.04. *See* Brenner Aff. Ex. 1. Nor does Advantage point to a single infringing transaction involving Case CATalyst 2.04 that took place before October 4, 2000. Stenograph registered Case CATalyst 3.0 on October 5, 2000, and the first transaction involving that software was on April 18, 2001. *See* Brenner Aff. Ex. 1; P. Seely Supp. Dec. Ex. B at 5.[25] Thus, Advantage's motion is denied as to

[24] This is transaction 219, involving Stenotech's customer Angie Ewoldt. *See* P. Seely Supp. Dec., Ex. B at 4.

[25] This is transaction 257, involving Stenotech's customer Joseph Gelardi. *See* P. Seely Supp. Dec., Ex. B at 5. Stenograph appears to be under the impression that the first transaction involving Case CATalyst 3.0 was on May 17, 2001, which I presume is transaction 266 involving Stenograph's original customer Patricia Reynolds. *See id*. This is immaterial for purposes of § 412(2) because both transactions took place after Case CATalyst 3.0 was registered on October 5, 2000. *See* Brenner Aff. Ex. 1.

infringing transactions involving Rapidwrite PRO 1.0, Case CATalyst 2.04, and Case CATalyst 3.0 because these works were registered before any infringement of them commenced. *See* 17 U.S.C. § 412(2).

Advantage's motion is granted as to infringing transactions involving Case CATalyst. Stenograph first published Case CATalyst on June 30, 1997, and registered its copyright in Case CATalyst on December 20, 1999. *See* Brenner Aff. Ex. 1. The chart is undisputed evidence that Stenotech commenced infringement on Stenograph's copyright in Case CATalyst at least as early as April 1, 1999. *See* P. Seely Supp. Dec., Ex. B at 1.[26] The chart shows at least 11 transactions prior to December 20, 1999 where, in violation of Stenograph's copyright, Stenotech bought and re-sold copies of Case CATalyst. *See id.* at 1-3. As further evidenced by the chart, Stenotech continued to buy and re-sell copies of Case CATalyst after Stenograph registered the work. *See id.* at 3-5. Stenograph offers no rebuttal. Stenograph's opposition to Advantage's motion, its statement of disputed facts, and Mr. Panfil's affidavit discuss Case CATalyst 3.0 and other kinds of Stenograph software, but do not mention Case CATalyst. *See* Stenograph Opp. at 25-27; Panfil Aff. ¶ 13; Stenograph Stmt. of Disp. Facts at 15-16. Thus, Advantage's motion for summary judgment on Stenograph's entitlement to statutory damages and attorneys' fees as to transactions involving Case CATalyst is granted.[27]

VI. CONCLUSION

Stenograph's motion for summary judgment [D.E. 506] is GRANTED IN PART and DENIED IN PART. On its copyright infringement claim, Stenograph's motion is GRANTED against Stenotech as to the 279 purchase and re-sale transactions that Stenotech conducted after January 21, 1999; DENIED against Advantage as to the four trade-in transactions where Advantage admits to taking possession of copies of Stenograph software because it is unclear which transactions these were; and DENIED in all other respects. On Advantage's and Stenotech's first sale defense, Stenograph's motion is

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[26] This is transaction 16, involving Stenograph's original customer Sarah Ingalls, and Stenotech's customer Courtney Wear. *See* P. Seely Supp. Dec., Ex. B at 1.

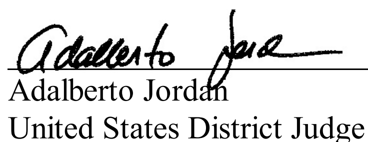
[27] I do not reach the issue of whether Advantage's motion should also be granted as to transactions involving Case CATalyst 2.04 and Case CATalyst 3.0 on the basis that these are derivative works of Case CATalyst, because Advantage does not adequately brief the issue.

GRANTED. On Greg Seely's and Portia Seely's vicarious liability for Advantage's copyright infringement, and Kerry Brunner's vicarious liability for Stenotech's copyright infringement, Stenograph's motion is GRANTED. On Sandra Brunner's vicarious liability for Stenotech's copyright infringement, Stenograph's motion is DENIED. On Advantage's and Stenotech's joint and several liability for each other's copyright infringement, Stenograph's motion is DENIED.

Advantage's motion for summary judgment [D.E. 420] is GRANTED IN PART and DENIED IN PART. Its motion is DENIED on the first sale defense; DENIED on the merits of Stenograph's copyright infringement claim as to all alleged 188 trade-in transactions; DENIED on the issue of its joint and several liability; and DENIED on its aiding and abetting liability. As to the sub-group of 98 alleged trade-in transactions, its motion is GRANTED on the transactions involving Lisa Frizzell and Carol Holdnack, and DENIED in all other respects. As to Stenograph's demand for statutory damages and attorneys' fees for the defendants' copyright infringement, Advantage's motion is GRANTED as to transactions where Stenotech purchased and re-sold copies of Stenograph's Case CATalyst software, and DENIED in all other respects.

Stenotech's motion for summary judgment on Sandra Brunner's vicarious liability for Stenotech's copyright infringement [D.E. 417] is DENIED.

DONE and ORDERED in chambers in Miami, Florida, this 17th day of October, 2006.



Adalberto Jordan
United States District Judge

cc: Counsel of record.