

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS
URBANA DIVISION

DESIGN BASICS, LLC, and
CARMICHAEL & DAME
DESIGNS, INC.,

Plaintiffs,

v.

SIGNATURE CONSTRUCTION, INC.,
SIGNATURE HOMEBUILDERS, LLC,
SIGNATURE DEVELOPMENT OF
PEORIA, INC., SIGNATURE HOMES
OF BLOOMINGTON, LLC,
IRONWOOD HOMES, INC.,
IRONWOOD HOMES OF PEORIA,
LLC, and RANDY L. PEIFER,

Defendants.

Case No. 16-cv-1275

ORDER

On August 19, 2019, this court granted summary judgment for Defendants. See Order (#43). On September 3, 2019, Defendants filed a Petition for Attorney's Fees and Costs (#45). On September 17, 2019, Plaintiffs filed a Memorandum in Opposition (#50). Defendants' motion is fully briefed and ripe for ruling. For the following reasons, Defendants' motion (#45) is GRANTED in part and DENIED in part.

I. BACKGROUND

Plaintiffs create, publish, license, and sell architectural plans and designs.

Defendants develop subdivisions and build and sell residential homes.

Plaintiffs asserted claims for copyright infringement against Defendants, alleging Defendants copied protectible elements of Plaintiffs' copyrighted home plans.

Defendants moved for summary judgment, arguing *inter alia* that the homes they built were not substantially similar to Plaintiffs' copyrighted works. In its summary judgment order, this court wrote:

As a result of Design Basics' driven pursuit of the exact kind of claims presented in this case, the Seventh Circuit published an Opinion in 2017 that constructs a substantial legal wall between Plaintiffs' claims and a jury trial. See generally *Design Basics, LLC v. Lexington Homes, Inc.*, 858 F.3d 1093 (7th Cir. 2017).¹ This district court is bound by the Seventh Circuit's holding.

...

¹ Not only is Design Basics litigious, its claims are not so much legitimate attempts to protect its original works, instead being more like efforts to diversify and expand its revenue streams. The Seventh Circuit's first subheading in the "facts" section of *Lexington Homes* encapsulates the situation: "*Design Basics and the Art of the Intellectual Property Shakedown.*" *Lexington Homes*, 858 F.3d at 1096.

Order (#43) at 8. This court granted Defendants' summary judgment motion, finding Defendants had not infringed protectible elements of Plaintiffs' copyrighted plans.

Defendants now request an award of attorney's fees pursuant to 17 U.S.C. § 505.

II. ANALYSIS

A. Attorney's Fees

1. *Whether to Award Fees*

A court may award reasonable attorney's fees and costs to the prevailing party in a copyright infringement action. 17 U.S.C. § 505.

"Unlike many fee-shifting statutes, which entitle prevailing plaintiffs to recover fees as a matter of course but allow prevailing defendants to recover fees only if the suit was frivolous, § 505 treats both sides equally and allows an award in either direction." *Riviera Distributors, Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008), citing *Fogerty v. Fantasy, Inc.*, 510 U.S. at 521, 533 (1994). The prevailing party is not automatically entitled to an award of fees, though. *Fogerty*, 510 U.S. at 534-35. The decision of whether to award fees to a prevailing party is in the discretion of the court, which is to make a "particularized, case-by-case assessment." *Id.*; see also 17 U.S.C. § 505.

To guide the court's "particularized case-by-case assessment" of whether to award fees to a prevailing party, the court "should give substantial weight to the objective reasonableness of the losing party's position." *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1983 (2016). "But the court must also give due consideration to all other circumstances relevant to granting fees; and it retains discretion, in light of those factors, to make an award even when the losing party advanced a reasonable claim or defense." *Id.* Thus, the factors that the court should weigh, giving due consideration to each, include (1) the frivolousness of the action; (2) the losing party's motivations for

filing or contesting the action; (3) the objective unreasonableness of the action; and (4) the need to advance considerations of compensation and deterrence. *Kirtsaeng*, 136 S. Ct. at 1985. The court should consider these factors in light of the Copyright Act's goals and objectives, i.e., enriching the general public through access to creative works, and "To promote the Progress of Science and useful Arts," by "encouraging and rewarding authors' creations while also enabling others to build on that work." *Id.* at 1986-87, citing *Fogerty*, 510 U.S. at 27; U.S. Const., Art. I, § 8, cl. 8.

i. Frivolousness and Objective Unreasonableness

"A filing is legally frivolous if it 'lacks an arguable basis either in law or in fact.'" *Eichwedel v. Chandler*, 696 F.3d 660, 664 (7th Cir. 2010), quoting *Neitzke v. Williams*, 490 U.S. 319, 325 (1989). The court should also assess both the "factual and legal components of the case" in deciding whether a copyright claim is objectively unreasonable. *Fogerty*, 510 U.S. at 534 n.19 (cleaned up). Courts have not precisely defined "objective unreasonableness," but common sense dictates that standard to be somewhat lower than frivolousness.

Defendants argue Plaintiffs' claims were both frivolous and objectively unreasonable, while Plaintiffs argue their claims were neither, as they were grounded in fact and law.

The court stops just short of finding Plaintiffs' claims were either frivolous or objectively unreasonable in this case, especially as of the date that it was filed, in 2016. The claims were not fanciful, delusional, or entirely baseless, but Plaintiffs' claims drew closer to being objectively unreasonable after the Seventh Circuit's opinion in *Lexington Homes* was issued.

As to a basis in fact, Plaintiffs held the copyright to original works, and there was at least some similarity between those works and Defendants' allegedly infringing designs.

As to a basis in the law, precedent existed long before this case was filed that cast serious doubt on claims like Plaintiffs', explaining how copyright protections are "thin" in the crowded arena of affordable residential home plans. See generally *Zalewski v. Cicero Builder Dev., Inc.*, 754 F.3d 95 (2d Cir. 2014); *Home Design Servs. v. Turner*, 825 F.3d 1314, 1321-27 (11th Cir. 2016); *Savant Homes, Inc. v. Collins*, 809 F.3d 1133, 1143 (10th Cir. 2016); *Bldg. Graphics, Inc. v. Lennar Corp.*, 708 F.3d 573, 579 (4th Cir. 2013). However, at the time this suit was filed, the Seventh Circuit had not expressly ruled on how the concepts in those cases would be applied to similar claims in this circuit.

Once the Seventh Circuit decided *Lexington Homes* in 2017, though, Plaintiffs' objective reasonableness in maintaining this suit through summary judgment plummeted. In *Lexington Homes* the court adopted the Second Circuit's reasoning in *Zalewski*:

The market for affordable home designs is crowded because opportunities for originality are tightly constrained by functional requirements, consumer demands, and the vast body of similar designs already available. In this field, the substantial similarity requirement is particularly hard to satisfy. We agree with *Zalewski v. Cicero Builder Dev., Inc.*, 754 F.3d 95 (2d Cir. 2014), which described the designer's or architect's copyright as thin, so that only very close copying of protected elements is actionable.

Lexington Homes, 858 F.3d at 1100.

After *Lexington Homes*, Plaintiffs were on notice that only very close copying would support an infringement claim. Further, *Lexington Homes* was decided against one of the plaintiffs in *this* case – so that decision would have been front and center to Plaintiffs as soon as it came down.

Plaintiffs' claims were not frivolous. Whether they were objectively unreasonable presents a much closer call, and the court believes that Plaintiffs' decision to keep pursuing these claims veered exceptionally close to objective unreasonableness following *Lexington Homes*. However, whether Plaintiffs' claims were either frivolous or objectively unreasonable are but two factors in the court's particularized analysis. Finding either is by no means required to award fees to a prevailing defendant in a copyright case. *Kirtsaeng*, 136 S. Ct. at 1988 (“...in any given case a court may award fees even though the losing party offered reasonable arguments....”).

Because these two factors, and particularly the objective unreasonableness factor, are very close calls, the court finds the questions of both frivolousness and objective unreasonableness do not weigh in favor of either party.

ii. The Losing Party's Motivations for Filing the Action

Plaintiffs' motivations for filing and maintaining this action, especially after *Lexington Homes*, weigh in favor of a fees award to Defendants.

Defendants argue Plaintiffs filed this suit, and many more like it, with improper motives. Plaintiffs respond that the number of cases they have filed is irrelevant to motive, and that while they do "vigorously protect their copyrighted works," litigation is not a part of their business model.

Defendants point out that when Plaintiffs discovered Defendants' alleged infringement, a Design Basics "Director of Business Development" sent an email to one of Plaintiffs' workers or owners with the subject line, "A gift for you." The body of the email is, "Courtesy The WayBack Machine, 40 infringing speculatively-built homes averaging almost \$313,000 with addresses for the Signature Homes (IL) case. Enjoy[.]" A pdf file entitled "Signature Homes Infringing Builds" was attached. The response came back a few hours later, "Wow very nice gift my friend. So this is a different case (Signature Homes IL) than the Signature Homes by AJ which we are mediating next week?" Plaintiffs did not send Defendants a cease and desist letter seeking to stop the alleged infringement but waited just shy of the two-year statute of limitations before filing this suit.

Plaintiffs make no response, nor do they attempt to explain, why forty instances of infringement would be a "gift," nor why they waited until just before the statute of

limitations expired to address the alleged infringement instead of taking immediate action to “vigorously protect their copyrighted works.”

Plaintiffs argue that the number of cases they have filed should not be used against them as evidence of improper motive for the filing of this suit. The court agrees that the number of cases filed, standing alone, does not support a finding of improper motive here. Rather, the entire record in this individual case supports the court’s conclusion that Plaintiffs’ motives weigh in favor of a fees award to Defendants.

The court has conducted a fact specific, particularized inquiry on the individual facts of this case. Considering Plaintiffs’ missing explanation as to why the discovery of forty instances of alleged infringement would be described, back and forth, as a “gift,” the court finds the balance on this factor weighs, if only slightly, in favor of a fees award. In exercising its broad discretion as it assesses Plaintiffs’ motivation for filing this suit, the court finds Plaintiffs were motivated by the prospect of a settlement or verdict from this “intellectual property shakedown” of Defendants, see *Lexington Homes*, 858 F.3d at 1096, rather than trying to protecting their intellectual property.

iii. Compensation and Deterrence

As to compensation, the Seventh Circuit has held that when the prevailing party is a defendant who “receives not a small award but no award,” an award of fees may be particularly well founded. *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004) (citation omitted). The Seventh Circuit reasons that “without the

prospect of such an award, the party might be forced into a nuisance settlement....” *Id.*; see also *Riviera Distributors, Inc.*, 517 F.3d at 928.

The court finds that here, the compensation factor weighs heavily in favor of a fees award to Defendants. Defendants were faced with defending a complex, difficult, copyright suit brought by parties who had significant experience and expertise in prosecuting exactly this sort of case. Defendants could have, despite their meritorious defense, thrown in the towel and agreed to settle the suit to avoid the legal fees for mounting a competent defense. Defendants chose to litigate the case, though, and prevailed, and the court finds a fees award is appropriate.

If Plaintiffs had prevailed in this action they would have been entitled to some monetary relief. Defendants, by prevailing, only *avoid* a judgment against them. In copyright litigation crossclaims and counterclaims are often filed, and in such a case a party may win various forms of relief on various claims, while losing others. On those facts, compensation may well be weighed differently.

The court also finds a fees award in Defendants’ favor here is consistent with, and furthers, the purposes of the Copyright Act. The Copyright Act assures “authors the right to their original expression” but also encourages others to build freely upon the ideas and information conveyed by a work. *Seng-Tiong Ho v. Taflove*, 648 F.3d 489, 497 (7th Cir. 2011) (citation omitted). The primary objective of copyright law is “not to reward the labor of authors, but ‘[t]o promote the Progress of Science and useful Arts.’”

Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 349-50 (1991), quoting U.S. Const., Art. I, § 8, cl. 8.

Here, although Defendants sought to “build freely upon the ideas and information conveyed,” at least as to some of the allegedly infringed plans, this court found Defendants did not violate Plaintiffs’ thin copyright. If the Seventh Circuit affirms this court’s summary judgment order, Defendants’ choice to defend themselves will have further defined the scope of *Lexington Homes*, giving parties in this circuit greater certainty about the bounds of copyright protections for single family home plans. As the Court in *Fogerty* explained, “it is particularly important that the boundaries of copyright law be demarcated as clearly as possible.” *Fogerty*, 510 U.S. at 527. Defendants, in pursuing and ultimately prevailing on their defense, have worked to advance that goal. Thus, an award of attorney’s fees here finds support in the purposes of copyright law.

The court does not presume Defendants are mechanically entitled to a fees award simply by operation of being the prevailing party. Rather, after a particularized inquiry, in this case the court finds the compensation factor weighs heavily in favor of an award of attorney’s fees to Defendants. *Assessment Techs.*, 361 F.3d at 437.

As to deterrence, the court has also considered the need to disincentivize Plaintiffs from engaging in additional litigation of this kind. An updated search of PACER shows Plaintiffs have continued to litigate multiple copyright suits against homebuilders or others in the broader homebuilding industry, including some suits in

this circuit. See, e.g., *Design Basics v. KH Design*, 1:19-cv-00051-JNP (D. Utah) (voluntarily dismissed by agreement of the parties on July 6, 2020); *Design Basics, LLC v. Lifehouse Homes, LLC*, 2:19-cv-00012-TLS-SLC (N.D. Ind.) (stayed pending the appeal in this case); 2:19-cv-00100-TLS-SLC (N.D. Ind.) (in discovery; the plaintiffs' motion to stay denied); *Design Basics, LLC et al v. WK Olson Architects, Inc. et al* 1:17-cv-07432 (N.D. Ill.) (notice of voluntarily dismissal filed by the plaintiffs on July 14, 2020); *Design Basics, LLC v. Kilbarger Home Builders, LLC*, 2:20-cv-00327-ALM-KAJ (S.D. Ohio) (active); *Design Basics, LLC et al v. Spahn & Rose Lumber Co.*, 2:19-cv-01015-CJW-MAR (N.D. Iowa) (active). However, Plaintiffs' rate of filing has decreased significantly from the surge of cases they filed earlier this decade. In any case, without an extensive analysis of the claims Plaintiffs are pursuing in these other cases – while they do appear quite like the claims in this case – the court in its discretion refrains from adding deterrence, specifically, to the purposes behind this fees award.

iv. Conclusion

While Plaintiffs' suit is not frivolous, it comes close to objective unreasonableness; these factors do not favor either party. As to motivation, the court finds Plaintiffs were motivated by an anticipated settlement or verdict to a much larger degree than they were motivated by actually trying to protect their copyrighted home plans from infringement. The court finds the motivation factor weighs, if only slightly, in favor of a fees award to Defendants. The court finds that the compensation factor weighs heavily in favor of a fees award to Defendants. Finally, the court finds

deterrence does not weigh in favor of either party. Therefore, considering all of these factors, the court finds, in an exercise of its discretion, an award of attorney's fees to Defendants pursuant to 17 U.S.C. § 505 is appropriate.

2. Amount of Fees

Having determined Defendants should receive an award of reasonable attorney's fees, the court must now work out what that means in this case.

The party requesting a fee award bears the burden of substantiating, to the court's satisfaction, the reasonableness of the hourly rates requested as well as the reasonableness of the hours expended. *McNabola v. Chi. Transit Auth.*, 10 F.3d 501, 518 (7th Cir. 1993). Although counsel is not required to record in intricate detail how each minute of time was expended, counsel should at a minimum identify the general subject matter of what the time was used for. See *Hensley v. Eckerhard*, 461 U.S. 424, 436 (1994). Where documentation is inadequate the court may reduce the award accordingly and may eliminate hours not documented in enough detail. *Tomazzoli v. Sheedy*, 804 F.2d 93, 98 n.5 (7th Cir. 1986).

Defendants submitted a log of professional services rendered. See (#45-5). That exhibit has columns labeled "Date," "Atty," "Description Of Services Rendered," "Hours," "Rate," and "Amount." Some entries have an "Amount" of "N/C" and in the description a note of "(No Charge)." There are hundreds of entries in the log, and the "TOTAL PROFESSIONAL SERVICES" shown at the bottom of the log is \$231,362.50. Forty-nine of the descriptions of services rendered have some portion of the description

redacted. In some redacted entries, only a handful of words are redacted; in others nearly the entire description is redacted.

The hourly rate charged varies depending on what professional billed for the services, at rates ranging from \$150-\$565 per hour. A Declaration by lead defense counsel Ann Cowgur in support of the professional services fees charged is attached to the petition. See (#45-3). Attorney Cowgur declares she is a partner in her firm, has practiced in the area of complex commercial litigation for twenty years, and about one-third of her current practice is in the intellectual property field.

Plaintiffs argue that if the court finds Defendants are entitled to an award of fees, the court should reduce the fees award because certain descriptions of professional services, as submitted by Defendants in support of their petition, are redacted to the point that neither Plaintiffs nor the court can tell whether those hours were reasonably expended or not. Plaintiffs argue, “the Signature Defendants have redacted substantive information relating to specific tasks performed in entries for nearly 100 hours” and ask that Defendants’ fees, if awarded, be reduced by \$37,487.

Plaintiffs point to two specific entries as emblematic of the redactions they object to. First is an entry dated 12/07/17. There are 2.9 hours billed, costing \$1,189 in fees. The description reads, “Work on review analysis of other related cases to determine [redacted] analyze results of research. Next is an entry dated 2/14/18, with 5.7 hours billed, costing \$2,337 in fees, with the description, “Continue research regarding [redacted] confer with Zach Gordon regarding same; research based on conversation

with Gordon [three lines of text redacted] conference Bill Peifer and Randy Peifer regarding settlement response.”

Plaintiffs do not contest the hourly rate of any professionals who billed time to this case on behalf of Defendants, nor do they contest any hours billed aside from the redaction issue discussed above.

Defendants did not seek to respond to Plaintiffs’ argument regarding the redacted descriptions of services, nor did they seek leave to provide more information.

First, the court finds the hourly rates are reasonable as billed. Plaintiffs do not contest any of the hourly rates. The vast majority of the entries are billed by attorney Cowgur, who has twenty years of complex litigation experience, and who is a partner at her firm. Her hours are billed at \$410 per hour, which is her usual billing rate, and which rate the court finds reasonable.

The court also finds the other rates billed are reasonable. Many the rest of the hours are billed by a paralegal, Ms. Mears. Mears has 31 years’ experience and bills at \$295. In the absence of any objection by Plaintiffs, and considering her level of experience, the court finds this rate reasonable. The court finds the remainder of the various billing rates reasonable as well. Plaintiffs, again, raise no objection to any billing rate, and based on the size of this case, the amount of discovery, and the complexity of the legal arguments these rates are reasonable.

The court broadly finds the number of hours billed to be reasonable as well. However, the court agrees with Plaintiffs' arguments related to redactions in some descriptions of services rendered. The court must be able to tell what the time was spent on to determine the reasonableness of the hours. It is Defendants' burden to adequately support their fees request. The court has reviewed the entire log of Defendants' attorney's fees and finds Plaintiffs' proposed \$37,487 reduction fairly accounts for those entries where the description of services is redacted to the point that the court cannot determine the reasonableness of those hours. The court finds the number of hours billed is reasonable, except for \$37,487 in services for which the description does not support a finding of reasonableness. Defendants' requested fees are reduced by \$37,487.

Therefore, an attorney's fees award in favor of Defendants and against Plaintiffs is entered in the amount of \$193,875.50.

B. Bill of Costs

Defendants' Bill of Costs is filed as exhibit (#45-4) to their Petition (#45). Defendants request costs of \$2,037.20 in transcript fees. Plaintiffs have lodged no objection to the costs that Defendants request.¹ Defendants are awarded costs of \$2,037.20.

¹ Defendants list their attorney's fees request on the "other" line on their Bill of Costs. Attorney's fees are not costs but are statutory fees based on § 505. Plaintiffs *do* object to Defendants' requested fees, and the parties' disagreement on this point is resolved in Section II.A. of this order.

IT IS THEREFORE ORDERED THAT:

Defendants' Petition for Attorney's Fees and Costs (#45) is GRANTED in part and DENIED in part. Defendants are awarded attorney's fees from Plaintiffs in the reduced amount of \$193,875.50. And, Defendants are awarded costs from Plaintiffs in the amount of \$2,037.20.

ENTERED this 3rd day of August, 2020.

s/ Colin Stirling Bruce
COLIN S. BRUCE
U.S. DISTRICT JUDGE