

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

INTERNATIONAL CODE COUNCIL, INC.,

Plaintiff,

v.

UPCODES, INC.;
GARRETT REYNOLDS; and
SCOTT REYNOLDS,

Defendants.

Civil Action No.: 1:17-cv-6261-VM-DCF

PUBLIC VERSION

**INTERNATIONAL CODE COUNCIL INC.'S MEMORANDUM OF LAW IN
OPPOSITION TO DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT**

MORGAN, LEWIS & BOCKIUS LLP

J. Kevin Fee

James Hamilton (admitted pro hac vice)

Jane W. Wise (admitted pro hac vice)

1111 Pennsylvania Avenue, NW

Washington, DC 20004-2541

Phone: 202-739-5353

Facsimile: 202-739-3001

kevin.fee@morganlewis.com

james.hamilton@morganlewis.com

jane.wise@morganlewis.com

Counsel for International Code Council, Inc.

TABLE OF CONTENTS

| | |
|--|----|
| INTRODUCTION | 1 |
| STATEMENT OF FACTS | 2 |
| I. ICC AND ITS HISTORY OF CODE DEVELOPMENT | 2 |
| II. UPCODES IS A COMMERCIAL COMPETITOR OF ICC | 4 |
| III. DEFENDANTS CONTINUE TO REPRODUCE AND DISPLAY ICC’S COPYRIGHTED CONTENT..... | 5 |
| ARGUMENT..... | 7 |
| I. DEFENDANTS’ ARGUMENT THAT STATE ACTION TERMINATES COPYRIGHT PROTECTION IS INCONSISTENT WITH THE SUPREMACY CLAUSE AND THE TAKINGS CLAUSE OF THE U.S. CONSTIUTION..... | 7 |
| A. The Supremacy Clause of the U.S. Constitution Precludes State Action from Invalidating a Federal Right..... | 7 |
| B. The Takings Clause of the U.S. Constitution Precludes States from Taking ICC’s Copyrighted Text Without Reasonable Compensation..... | 9 |
| II. DEFENDANTS’ ARGUMENT THAT STATE ADOPTION OF PRIVATELY AUTHORED WORKS TERMINATES COPYRIGHT PROTECTION IS INCONSISTENT WITH THE PRECEDENT OF THE SECOND CIRCUIT AND THE MAJORIY FO COURTS DECIDING THE ISSUE..... | 10 |
| A. The Supreme Court Has Never Held That Privately Authored Works Lose Their Copyright Unpon Governmental Adoption..... | 12 |
| B. The Second Circuit’s CCC Decision Rejected UpCodes’ Argument That State Incorporation of a Privately Authored Work Destroys Copyright Protection | 15 |
| C. The Majority of Courts That Have Decided the Issue Have Concluded that State Adoption of Privately Authored Works Does Not Destroy Copyright Protection | 17 |
| D. The Sharply Divided <i>Veeck</i> Decision is Distinguishable and Not Persuasive..... | 19 |
| E. The Pertinent Facts Show that in No Event Are Defendants Entitled to Summary Judgment | 22 |
| III. DEFENDANTS’ MERGER DEFENSE FAILS BECAUSE THERE WERE MULTIPLE WAYS TO WRITE BUILDING CODES AT THE TIME THAT THE I-CODES WERE WRITTEN | 24 |

| | | |
|-----|---|----|
| A. | Defendants Fail to Prove the Applicability of Merger..... | 25 |
| B. | Defendants’ Application of the Merger Doctrine Would Destroy Otherwise Valid Copyrights in Any Work Once a Single Governmental Entity Adopts the Work..... | 28 |
| IV. | DEFENDANTS’ DECISION TO BUILD A FOR-PROFIT BUSINESS BASED ON MAKING WHOLESALE COPIES OF ICC’S CODES AVAILABLE TO THE PUBLIC FOR FREE IS NOT FAIR USE | 29 |
| A. | The Purpose and Character of Defendants’ Use Weighs Against Fair Use..... | 29 |
| 1. | Defendants’ Use of the I-Codes to Build a “Freemium” Business Model is a Commercial User | 29 |
| 2. | Defendants’ Use Is a Substitute for Licensed Competitors; It Is Not Transformative..... | 32 |
| B. | Nature of the Copyrighted Work | 34 |
| C. | Amount and Sustainability of the Work Taken | 35 |
| D. | Effect of the Use on the Potential Market..... | 38 |
| V. | ICC IS NOT COLLATERALLY ESTOPPED FROM LITIGATING ANY ISSUES IN THIS CASE | 42 |
| A. | Defendants Have Not Shown that ICC is in Privity with SBCCI so as to Allow Summary Judgment in this Case..... | 43 |
| B. | Defendants Have Not Shown that Issues here are Identical to Those Necessarily Decided in <i>Veck</i> , Since that Case Relied on Facts that are Not True Here | 46 |
| C. | This Court is Not Precluded from Adjudicating the Pure Question of Law that Defendants Say <i>Veck</i> Decided | 48 |
| VI. | CONCLUSION..... | 50 |

TABLE OF AUTHORITIES

Cases

| | |
|---|----------------|
| <i>Af-Cap, Inc. v. Chevron Overseas (Congo) Ltd.</i> , 475 F.3d 1080 (9th Cir. 2007) | 49 |
| <i>Ali v. Mukasey</i> , 529 F.3d 478 (2d Cir. 2008)..... | 42 |
| <i>Am. Geophysical Union v. Texaco Inc.</i> , 60 F.3d 913 (2d Cir. 1994)..... | 30, 31, 42 |
| <i>Am. Soc’y for Testing & Materials v. Public.Resource.Org, Inc.</i> , 896 F.3d 437 (D.C. Cir. 2018)..... | 10, 19, 33, 40 |
| <i>American Society for Testing and Materials v. Public.Resource.Org</i> , 13-cv-1215, 2017 WL 473822 (D.D.C. Feb. 2, 2017)..... | 19 |
| <i>Ass’n of Am. Med. Colleges v. Cuomo</i> , 928 F.2d 519 (2d Cir. 1991)..... | 7, 8 |
| <i>Associated Press v. Meltwater U.S. Holdings, Inc.</i> , 931 F. Supp. 2d 537 (S.D.N.Y. 2013)..... | 39 |
| <i>Authors Guild, Inc. v. HathiTrust</i> , 755 F.3d 87 (2d Cir. 2014)..... | 32, 37 |
| <i>Authors Guild v. Google, Inc.</i> , 804 F.3d 202 (2d Cir. 2015)..... | 34, 35, 36 |
| <i>Banks v. Manchester</i> , 128 U.S. 244 (1888)..... | 11, 12, 13 |
| <i>Bill Graham Archives v. Dorling Kindersley Ltd.</i> , 448 F.3d 605 (2d Cir. 2006)..... | 37 |
| <i>Building Officials and Code Administrators v. Code Technology, Inc.</i> , 628 F.2d 730 (1st Cir. 1980)..... | 13 |
| <i>Callaghan v. Myers</i> , 128 U.S. 617 (1888)..... | 14, 15 |
| <i>Campbell v. Acuff-Rose Music, Inc.</i> , 510 U.S. 569 (1994)..... | <i>passim</i> |
| <i>Capital Cities Cable, Inc. v. Crisp</i> , 467 U.S. 691 (1984)..... | 8 |

| | |
|--|---------------|
| <i>Capitol Records, LLC v. ReDigi Inc.</i> , 910 F.3d 649 (2d Cir. 2018)..... | 34, 36, 38 |
| <i>Cariou v. Prince</i> , 714 F.3d 694 (2d Cir. 2013)..... | 34 |
| <i>Castle Rock Entm't, Inc. v. Carol Publ'g Grp.</i> , 150 F.3d 132 (2d Cir. 1998)..... | 29, 41 |
| <i>CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.</i> , 44 F.3d 61 (2d Cir. 1994) | <i>passim</i> |
| <i>Chicago Truck Drivers, Union (Indep.) Pension Fund v. Century Motor Freight, Inc.</i> , 125 F.3d 626 (7th Cir. 1997) | 49 |
| <i>Citibank, N.A. v. Tele/Res., Inc.</i> , 724 F.2d 266 (2d Cir. 1983)..... | 46 |
| <i>Code Revision Commission v. Public.Resource.Org</i> , 906 F.3d 1229 (11th Cir. 2018) | 22 |
| <i>Coll. Entrance Examination Bd. v. Pataki</i> , 889 F. Supp. 554 (N.D.N.Y. 1995)..... | 8 |
| <i>County of Suffolk v. First American Real Estate Solutions</i> . 261 F.3d 179 (2d Cir. 2001)..... | 13, 21 |
| <i>Divine v. Comm'r</i> , 500 F.2d 1041 (2d Cir. 1974)..... | 49, 50 |
| <i>Fox News Network, LLC v TvEyes, Inc.</i> , 883 F.3d 169 (2d Cir. 2018)..... | 36 |
| <i>Fox v. Washington</i> , 236 U.S. 273 (1915)..... | 7 |
| <i>Harper & Row Publishers v. Nation Enters.</i> , 471 U.S. 539 (1985)..... | 30, 34, 38 |
| <i>Howell v. Miller</i> , 91 F. 129 (6th Cir. 1898) | 13 |
| <i>Infinity Broad. Corp. v. Kirkwood</i> , 150 F.3d 104 (2d Cir. 1998)..... | 29 |
| <i>Int'l Nutrition Co. v. Horphag Research Ltd.</i> , 220 F.3d 1325 (Fed. Cir. 2000)..... | 44, 45 |

| | |
|--|---------------|
| <i>John G. Danielson, Inc. v. Winchester-Conant Properties, Inc.</i> , 186 F. Supp. 2d 1 (D. Mass 2002) | 19 |
| <i>John G. Danielson, Inc. v. Winchester-Conant Properties, Inc.</i> , 322 F.3d 26 (1st Cir. 2003) | 19 |
| <i>Key Publ'ns, Inc. v. China Town Today Pub. Enters., Inc.</i> , 945 F.2d 509 (2d Cir. 1991) | 45 |
| <i>Kregos v. Associated Press</i> , 937 F.2d 700 (2d Cir. 1991) | 25, 26, 28 |
| <i>Lujan v. Defs. of Wildlife</i> , 504 U.S. 555 (1992) | 9 |
| <i>Miller v. French</i> , 530 U.S. 327 (2000) | 7 |
| <i>Oracle Am., Inc. v. Google Inc.</i> , 750 F.3d 1339 (Fed. Cir. 2014) | 25, 27 |
| <i>Orson, Inc. v. Miramax Film Corp.</i> , 189 F.3d 377 (3d Cir. 1999) | 8 |
| <i>Parklane Hosiery Co. v. Shore</i> , 439 U.S. 322 (1979) | 43 |
| <i>Perfect 10, Inc. v. Amazon.com, Inc.</i> , 508 F.3d 1146 (9th Cir. 2007) | 33 |
| <i>Practice Mgmt. Info. Corp. v. Am. Med. Ass'n</i> , 121 F.3d 516 (9th Cir. 1997) | <i>passim</i> |
| <i>Ringgold v. Black Entm't Television, Inc.</i> , 126 F.3d 70 (2d Cir. 1997) | 29, 34 |
| <i>Schnapper v. Foley</i> , 667 F.2d 102 (D.C. Cir. 1981) | 9 |
| <i>Sec. Inv'r Prot. Corp. v. Bernard L. Madoff Inv. Sec. LLC</i> , 513 B.R. 437 (S.D.N.Y. 2014) | 48 |
| <i>Sinclair v. Am. Media, Inc.</i> , 2018 WL 5258583 (S.D.N.Y. Sept. 7, 2018) | 35 |
| <i>Sony Corp. of Am. v. Universal City Studios, Inc.</i> , 464 U.S. 417 (1984) | 35, 38 |

| | |
|---|---------------|
| <i>Swatch Grp. Mgmt. Servs. Ltd. v. Bloomberg L.P.</i> , 756 F.3d 73 (2d Cir. 2014)..... | 33, 37 |
| <i>Taylor v. Sturgell</i> , 553 U.S. 880 (2008)..... | 43, 44 |
| <i>TCA Television Corp. v. McCollum</i> , 839 F.3d 168 (2d Cir. 2016)..... | 33 |
| <i>U.S. v. Alcan Aluminum</i> , 990 F.2d 711 (2d Cir. 1993)..... | 48 |
| <i>United States v. Am. Soc. of Composers, Authors & Publishers</i> , 599 F. Supp. 2d 415 (S.D.N.Y. 2009)..... | 29, 30, 31 |
| <i>V. ex rel. Vanderhye v. iParadigms, LLC</i> , 562 F.3d 630 (4th Cir. 2009) | 33, 39 |
| <i>Veeck v. Southern Building Code Congress International, Inc.</i> , 293 F.3d 791 (5th Cir. 2002) | <i>passim</i> |
| <i>Wyly v. Weiss</i> , 697 F.3d 131 (2d Cir. 2012)..... | 42, 43 |
| <i>VHT, Inc. v. Zillow Grp., Inc.</i> , 918 F.3d 723 (9th Cir. 2019) | 37 |
| <i>Wheaton v. Peters</i> , 33 U.S. (8 Pet.) 591 (1834)..... | 12 |
| <i>Wright v. Warner Books, Inc.</i> , 953 F.2d 731 (2d Cir. 1991)..... | 29 |
| Statutes | |
| 17 U.S.C. § 106..... | 7, 8 |
| 17 U.S.C. § 107(2) | 34, 35 |
| 17 U.S.C. § 201(a) | 21 |
| 17 U.S.C. § 201(e) | 8, 21 |
| 17 U.S.C. § 204..... | 21 |
| 17 U.S.C. § 301..... | 7, 8 |
| 17 U.S.C. § 302..... | 21 |

Other Authorities

| | |
|---|----------------|
| 1 C.F.R. 79 Fed. Reg. No. 216 (Nov. 7, 2014) | 16, 17 |
| 18 Wright & Miller, <i>Federal Practice and Procedure</i> § 4462 (3d ed.)..... | 44, 45, 49, 50 |
| 79 Fed. Reg. at 66268 | 21 |
| 1 NIMMER ON COPYRIGHT § 13.05[A][2][a]..... | 41 |
| 1 NIMMER § 5.12 | 22 |
| 2 PATRY ON COPYRIGHT § 4.84..... | 22 |
| Emily S. Bremer, <i>On the Cost of Private Standards in Public Law</i> , 63 U. Kan. L. Rev. 279 (2015) | 22 |
| Restatement (Second) Judgments § 29(7)..... | 49 |
| Restatement (Second) Judgments § 43 (1982)..... | 44 |
| U.S. CONST. amend. 5 | 9 |
| U.S. CONST. art. I, § 8, cl. 8 | 17 |
| U.S. CONST. art. VI, § 2 | 7 |

INTRODUCTION

Defendants’ core legal position is untenable. They claim that legislative or administrative action by a state or subordinate jurisdiction can negate a federal right. Specifically, they assert that legislative or administrative adoption of a privately authored and federally copyrighted code by a state—or county, city, or small town—invalidates the copyright in the adopted code.

This contention runs afoul of the Supremacy Clause of the United States Constitution. In our system of federalism, federal law is supreme and cannot be nullified by state or local action. A federal copyright, which comes into effect when an expression is fixed in a tangible medium, cannot be vitiated by the adoption of a model code by a state or a subordinate jurisdiction. This is particularly the case here, because state and local jurisdictions adopting the International Code Council’s (“ICC”) model codes continue to recognize and do not profess to negate the copyrights in those codes.

Defendants’ theory also runs afoul of the Constitution’s Takings Clause. If adopted, it would result in state action depriving ICC of its federal copyrights in virtually all of ICC’s model codes without ICC’s consent. But, here again, states and localities have declined to negate ICC’s copyright and thus take its property.

Defendants’ arguments fare no better under copyright law. Defendants implicitly acknowledge that there is no textual support in the Copyright Act for the proposition that a copyright in a privately authored work is transferred, expires, or is otherwise destroyed upon state adoption. The Second Circuit expressly considered whether government adoption destroys copyright protection and concluded that it does not. Thus, Defendants primarily rely on the holding of a fractured Fifth Circuit to support their argument, even though that widely criticized

decision is inconsistent with the express policy of the United States and precedent that binds this Court. Defendants' merger defense fails because there undeniably were multiple ways to express the ideas in the I-Codes at the time that they were created. Defendants' fair use argument fails because there is no support for the proposition that this defense protects a party that directly competes with a copyright owner by reproducing the copyright owner's work in its entirety for a commercial and non-transformative use.

Collateral estoppel cannot shield Defendants from liability for their wholesale copying of ICC's copyrighted works. It is overreaching in the extreme to contend that, because the Fifth Circuit decided that the adoption as law by two small Texas towns of a 1994 building code owned by a predecessor organization destroyed the copyright in that code when posted as the law, the copyrights in *all* adopted ICC Codes, including those that came into existence since the Fifth Circuit's decision, are also stripped.

Finally, Defendants' motion rests on the disputed factual premise that they have posted only the law of various jurisdictions since late 2017. Even a cursory analysis shows that this is not true. As to a number of jurisdictions, Defendants continue to post ICC copyrighted content that has not been adopted into the applicable law.

For these reasons and others discussed below, Defendants' motion for partial summary judgment should be denied.

STATEMENT OF FACTS

I. ICC AND ITS HISTORY OF CODE DEVELOPMENT

ICC is a non-profit organization whose mission is safety.¹ ICC's Statement of Undisputed Material Fact ("SUMF") ¶¶ 15–17. ICC provides the highest quality codes for all

¹ ICC incorporates the Statement of Facts from its Memorandum of Law in Support of Its Motion for Summary Judgment (ECF No. 84-1) as if set forth fully herein.

concerned with the safety and performance of the built environment, including the forty-one International Codes at issue in this case (collectively, the “I-Codes”). SUMF ¶ 18.

ICC was founded by three predecessor organizations: International Conference of Building Officials (“ICBO”), the Southern Building Code Congress International (“SBCCI”), and Building Officials and Code Administrators International (“BOCA”) (collectively, the “Legacy Organizations”). ICC’s Supplemental Statement of Undisputed Material Fact (“Sup. SUMF”) ¶ 1. The Legacy Organizations shared a joint vision to support the safety of the built environment by producing the first set of coordinated national building codes. Sup. SUMF ¶ 2. In 2003, the Legacy Organizations donated their assets to ICC, including their copyrights in regional codes developed by the Legacy Organizations. Sup. SUMF ¶ 3.

ICC continues to create building codes, using a consensus process that draws on a wide range of input from a variety of interests and sources of expertise. SUMF ¶¶ 28, 45. ICC has developed 15 comprehensive model codes, and multiple versions of each of these codes are included in the I-Codes that are the subject of this lawsuit. SUMF ¶¶ 19, 43–57. The I-Codes are available to view for free through ICC’s online digital library called publicACCESS. SUMF ¶ 66. Any member of the public who wants to access the I-Codes can do so by going to ICC’s website. SUMF ¶ 66. ICC offers users additional features such as bookmarking, highlighting, annotating and collaborative tools through its premiumACCESS subscription. SUMF ¶ 67.

ICC incurs millions of dollars in code development expenses each year. SUMF ¶ 61. ICC relies on its ability to leverage its copyrighted content in its I-Codes to fund these expenses. SUMF ¶¶ 68–69, 71. ICC licenses its I-Codes to private entities, such as [REDACTED], that make ICC’s codes and supplemental materials available for purchase by the public. SUMF ¶¶ 72–73.

ICC also licenses governmental authorities to use the language of the I-Codes in their

own building codes, although jurisdictions frequently amend the I-Codes to reflect local practices and laws (the “I-Codes as Adopted”).² SUMF ¶ 80. ICC’s licenses with governmental units acknowledge ICC’s copyright in the model codes. SUMF ¶ 80. In addition, state and local publications include ICC’s copyright notices. SUMF ¶ 80. Although ICC licenses its copyrighted content in the I-Codes to jurisdictions, ICC never claims an ownership interest in amendments to its I-Codes authored by jurisdictions. Sup. SUMF ¶ 40.

II. UPCODES IS A COMMERCIAL COMPETITOR OF ICC.

UpCodes founded its for-profit business to compete with and supplant ICC. SUMF ¶¶ 87, 154–59. Defendants purchased, scanned, and distributed ICC’s Codes for free. SUMF ¶¶ 93–97, 103–06, 114, 166. [REDACTED]

[REDACTED]. Wise Decl. Ex. 18

([REDACTED]). Defendants made ICC’s Codes available on their website for free to [REDACTED]

[REDACTED] and capture much of that business for themselves. SUMF ¶ 166.

Although Defendants position themselves as champions of the public’s right to read and speak the law, Defendants’ agenda could not be clearer. Defendants designed a “freemium” business model, where users could view, copy, paste, and print the text of the ICC’s Codes from the UpCodes website without limitations or restrictions, in furtherance of a plan to [REDACTED] [REDACTED] SUMF ¶¶ 93–94. This plan is working. [REDACTED]

[REDACTED] it currently has more than 200,000 active monthly users. SUMF ¶¶ 93, 163. In total, Defendants reproduced and displayed 40 of ICC’s I-Codes as model codes, including three I-Codes that had not been adopted by any U.S. jurisdiction, and they never

² The I-Codes and I-Codes as Adopted are collectively referred to as “ICC’s Codes.”

sought or obtained a license from ICC. SUMF ¶¶ 92, 115–17, 125–27; Defs.’ Mem. at 3 n.3.

III. DEFENDANTS CONTINUE TO REPRODUCE AND DISPLAY ICC’S COPYRIGHTED CONTENT.

After ICC brought this lawsuit, Defendants recognized that this approach was indefensible, and they drastically changed their website. SUMF ¶ 140. Defendants seek to gloss over this blatant copyright infringement “prior to late 2017” by moving only for partial summary judgment of non-infringement with respect to their website “as it exists today [] and has existed since late 2017.” Defs.’ Mem. at 3 n.3. This request for relief is rife with inherent factual issues, as Defendants’ website is constantly changing. Sup. SUMF ¶¶ 12–13. Defendants have added numerous codes to its website since the institution of this lawsuit. Sup. SUMF ¶ 12. Defendants have not bothered to introduce any evidence to assist the Court in identifying the content that is on its website as of the filing of their brief or at any other point “since late 2017.” *See generally* Defs.’ Mem. As a result, there are material issues of fact as to what the many iterations of UpCodes’ website since late 2017 even contained.

While the full range of content on Defendants’ website over that time frame remains uncertain, it is patently clear that Defendants continue to post ICC’s copyrighted content in the I-Codes without justification or permission. SUMF ¶¶ 92, 140, 146–48; Sup. SUMF ¶¶ 16–39. In numerous cases, Defendants continue to reproduce and display the unamended I-Codes when jurisdictions have expressly incorporated amendments to the code. Sup. SUMF ¶¶ 16–20, 23, 25, 28, 30, 32–37. Asserting that it is reproducing the law of Wyoming, Defendants’ current website also reproduces and displays the unamended text of the 2015 International Residential Code, despite the fact that Wyoming incorporated only certain provisions of that code. Sup. SUMF ¶ 32. Defendants also post appendices to the I-Codes that have not been adopted. Sup. SUMF ¶ 27–28, 34, 36–38. For example, UpCodes reproduced and displayed an appendix on

tsunami-generated flood hazards as part of the building code of Wyoming, despite the fact that Wyoming (perhaps unsurprisingly) did not adopt this appendix. Sup. SUMF ¶¶ 36–38.

Moreover, although Defendants like to cloak their activities under the guise of trying to “inform citizens reliably what their legal obligations are,” Defs.’ Mem. at 41, their website does not always post the entirety of the applicable state or local building codes and only posts the portions of the building codes that contain ICC’s copyrighted content. For example, UpCodes omits numerous provisions of the Building Code of South Holland and only posts the unamended International Building Code 2012, passing off this incomplete version as the “Building Code 2012 of South Holland, IL.” Sup SUMF ¶ 39.

Defendants also claim that their current website does not post the I-Codes as model codes, Defs.’ Mem. at 3 n.3, but Defendants ensure that users still can easily identify and access the unamended text of the model I-Codes instead of using authorized copies. Sup. SUMF ¶¶ 6, 8–10. Defendants search for jurisdictions that adopt the I-Codes without amendments to ensure that more of the unamended model I-Codes are available to users. SUMF ¶ 129 (showing South Holland, IL as the only jurisdiction to adopt numerous I-Codes without amendments). Then UpCodes’ website provides charts of jurisdictions that adopt the I-Codes without amendments. Sup. SUMF ¶ 6. Defendants know that its users rely on these tools to identify and utilize the unamended text of the model I-Codes. SUMF ¶ 142, Ex. 20 (“When I go to the general tab to just look at the code, it doesn’t give me the option of looking at a straight up version of the code. I have to go pick a state that has no amendments.”). Defendants’ audience for these services is the construction industry that uses Defendants’ unauthorized copies of ICC’s Codes as competitive substitutes for ICC’s Codes. SUMF ¶¶ 93–97, 101–02; Sup. SUMF ¶¶ 4–5. As such, Defendants’ actions threaten ICC’s ability to fund its code development and creation

activities, harming both ICC and the public. SUMF ¶¶ 197–221.

ARGUMENT

I. DEFENDANTS’ ARGUMENT THAT STATE ACTION TERMINATES COPYRIGHT PROTECTION IS INCONSISTENT WITH THE SUPREMACY CLAUSE AND THE TAKINGS CLAUSE OF THE U.S. CONSTITUTION.

Defendants’ argument that state action terminates copyright protection is inconsistent with both the Supremacy Clause and the Takings Clause of the U.S. Constitution. Under the doctrine of constitutional avoidance, “constitutionally doubtful constructions should be avoided where fairly possible,” *Miller v. French*, 530 U.S. 327, 336 (2000) (quotation marks and citation omitted). Therefore, the Court should reject Defendants’ argument that state action terminates copyright protection and avoid creating the constitutional problems inherent in their argument. *E.g.*, *Fox v. Washington*, 236 U.S. 273, 277 (1915) (“So far as statutes fairly may be construed in such a way as to avoid doubtful constitutional questions they should be so construed.”)³

A. The Supremacy Clause of the U.S. Constitution Precludes State Action from Invalidating a Federal Right.

The concept that federal rights cannot be stripped by state action is foundational to our democracy. *See* U.S. CONST. art. VI, § 2. To preserve this constitutional guarantee, courts find that state law or action is preempted when compliance with both federal and state regulations is impossible or where state law poses an obstacle to the accomplishment and execution of the full purposes and objectives of Congress. *Ass’n of Am. Med. Coll. v. Cuomo*, 928 F.2d 519, 522–23 (2d Cir. 1991).

Section 106 of the Copyright Act grants a copyright owner the exclusive right to reproduce, distribute, and publicly display copyrighted works. 17 U.S.C. § 106. Section 301

³ The doctrine of constitutional avoidance is particularly apt here because the Copyright Act contains built-in accommodations to safeguard the public’s First Amendment rights, including the fair use and merger doctrines.

provides that “all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 . . . are governed exclusively by this title.” *Id.* § 301. And Section 201(e) expressly provides that “no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of [a] copyright . . . shall be given effect under this title, except as provided [for bankruptcy].” *Id.* § 201(e). Accordingly, state laws that attempt to usurp or interfere with a copyright owner’s exclusive ownership rights are preempted and invalid. *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 710–11, 716 (1984) (holding Oklahoma law preempted by the Copyright Act because it would destroy or interfere with the exercise of a federally created copyright right); *Ass’n of Am. Med. Colls.*, 928 F.2d at 522–23 (“If the [New York Standardized Testing Act (‘STA’)] facilitates infringement, it conflicts with the federal Copyright Act and is preempted.”); *Orson, Inc. v. Miramax Film Corp.*, 189 F.3d 377, 386 (3d Cir. 1999) (en banc) (“[T]he state may not mandate distribution and reproduction of a copyrighted work in the face of the exclusive rights to distribution granted under § 106.”); *Coll. Entrance Examination Bd. v. Pataki*, 889 F. Supp. 554, 564 (N.D.N.Y. 1995) (holding that New York’s STA was preempted by the Copyright Act because it “interfere[d] with the moving plaintiffs’ exclusive ownership rights as set forth in § 106 of the Copyright Act,” by, for example, “classif[ying] these disclosed materials as public records and, thereby, subject[ing] them to disclosure to, and reproduction by, the public.”).

In this case, Defendants argue that state adoption of ICC’s model codes terminates ICC’s copyright ownership of and exclusive rights to reproduce, distribute, and publicly display the I-Codes. Defs.’ Mem. 11–16. If that were correct, then every state or locality’s adoption of some or all of the I-Codes would be preempted by the Copyright Act because it would terminate ICC’s exclusive rights of ownership conferred by Section 106 of the Copyright Act. 17 U.S.C. § 106.

Rather than construe state adoption in a manner that is inconsistent with the Copyright Act, the Court should be guided by the actions and intentions of the states that have adopted ICC's Codes, many of which expressly acknowledge ICC's copyrights in the I-Codes in the pertinent license agreements. SUMF ¶ 80; *see also Schnapper v. Foley*, 667 F.2d 102, 109 (D.C. Cir. 1981) (“[W]e are reluctant to cabin the discretion of government agencies to arrange ownership and publication rights with private contractors absent some reasonable showing of a congressional desire to do so.”) A ruling that state adoption of the I-Codes negates the copyrights in those codes would frustrate the purposes of the states in adopting the I-Codes to rely on ICC's considerable expertise and to save valuable resources.⁴ SUMF ¶¶ 13–14, 34, 40.

B. The Takings Clause of the U.S. Constitution Precludes States from Taking ICC's Copyrighted Text Without Reasonable Compensation.

A ruling that model codes lose copyright protection once adopted into law by a state or locality would create serious tensions with the Takings Clause. U.S. CONST. amend. 5 (“[N]or shall private property be taken for public use without just compensation.”); *CCC Info. Sers., Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61, 74 (2d Cir. 1994) (“[A] rule that the adoption of such a reference by a state legislature or administrative body deprived the copyright owner of its property would raise very substantial problems under the Takings Clause of the Constitution.”); *Practice Mgmt. Info. Corp. v. Am. Med. Ass’n*, 121 F.3d 516, 520 (9th Cir. 1997) (citing *CCC* for same concern).

Under Defendants' argument, although the I-Codes were protected by copyright before their adoption by any states, those copyrights were destroyed upon state adoption. Defs.' Mem.

⁴ Defendants purport to justify their infringement of ICC's Codes by arguing that ICC's copyrights violate the due process clause on behalf of some unknown, unidentified citizen who does not have access to “the law.” Mem. at 20. Defendants, however, lack standing to raise such due process concerns, as they have not personally suffered an injury from the purported lack of access. SUMF ¶ 89 (admitting that Defendants were able to access the I-Codes for free from ICC's website); *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 (1992).

at 11–16. If Defendants were correct that adoption of a privately owned work destroys the copyright in that work, then the government that incorporated the code would have taken ICC’s property without just compensation. *See CCC*, 44 F.3d at 74; *Practice Mgmt.*, 121 F.3d at 520. As a result, any governmental entity that has adopted a privately authored work could face significant takings liability. This is not a result that any of the governmental entities that have adopted privately authored works, for decades, would have contemplated. SUMF ¶¶ 35–36; Wise Decl. Ex. 65 (Jarosz Report) ¶¶ 120–24. Moreover, governmental entities in the future would be reticent to adopt codes to avoid incurring the significant financial burden. SUMF ¶¶ 81, 83; Wise Decl. Ex. 65 (Jarosz Report) ¶ 124.⁵

II. DEFENDANTS’ ARGUMENT THAT STATE ADOPTION OF PRIVATELY AUTHORED WORKS TERMINATES COPYRIGHT PROTECTION IS INCONSISTENT WITH THE PRECEDENT OF THE SECOND CIRCUIT AND THE MAJORITY OF COURTS DECIDING THE ISSUE.

Defendants do not deny that ICC owns copyrights in the I-Codes as model codes or that Defendants currently reproduce virtually all of the I-Codes as Adopted on their website. As a result, this case turns on the single legal question of whether the Copyright Act or U.S. Constitution provides a defense for Defendants’ admitted wholesale copying of ICC’s copyrighted works to build their for-profit business. They do not.

Defendants do not argue that any provision of the Copyright Act expressly provides that a state’s adoption of a privately authored work destroys the copyright in the work. Nor could they. *See Am. Soc’y for Testing & Materials v. Public.Resource.Org, Inc.*, 896 F.3d 437, 446 (D.C.

⁵ Defendants attempt to avoid their Taking Clause problem by arguing that “[w]here a claimant was on notice that taking a particular action with respect to its property . . . created the possibility that the property will be devalued by subsequent government action . . . no takings claim[] exists.” Defs.’ Mem. at 27. This argument ignores the undisputed evidence that the states expressly acknowledge that ICC will retain its copyrights in the I-Codes when they license the I-Codes from ICC. SUMF ¶ 80. In this circumstance, ICC obviously is not on notice that its copyrights will be destroyed by the state action and it does not consent to the destruction of its copyrights. At a minimum, there is a disputed issue of fact as to whether ICC was on notice such that summary judgment would be improper.

Cir. 2018) (“By its plain terms, the Copyright Act says nothing about what, if anything, happens when a copyrighted work is incorporated by reference into federal, state, or local statutes or regulations.”) As explained in ICC’s Memorandum in Support of Its Motion for Summary Judgment, the Copyright Act enumerates specific bases for the termination or expiration of copyright protection. None of these bases applies here. *See* ICC’s Mem. at 17–20.

Instead, Defendants argue that this Court should extend two 19th Century Supreme Court cases—holding that judges and court reporters do not own copyrights in court opinions—to privately authored works that were undeniably entitled to copyright protection upon their creation before their incorporation into law. *See* Defs.’ Mem. at 12–13 (citing *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591 (1834) and *Banks v. Manchester*, 128 U.S. 244 (1888)). To support this effort, Defendants misleadingly quote *Banks* as holding that “‘the authentic exposition and interpretation of the law,’ which is ‘binding every citizen, is free for publication to all.’” Defs.’ Mem. at 2 (quoting *Banks*, 128 U.S. at 253). But Defendants’ snippets from a single sentence leave out the beginning and most important part of the sentence. The quoted sentence begins with the language “[t]he whole work *done by the judges* constitutes the authentic exposition” 128 U.S. at 253 (emphasis added). As this context makes clear, *Banks* only recognized the principle, “from the time of the decision in the case of *Wheaton v. Peters*, 8 Pet. 491, that no copyright could . . . be secured *in the products of the labor done by judicial officers in the discharge of their official duties.*” 128 U.S. at 253 (emphasis added). Thus, neither *Banks* nor *Wheaton* addresses what happens to the copyrights in *privately* authored works once they are adopted into law.

The Second Circuit, however, did address this issue in *CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.* 44 F.3d at 73–74. There, the Court of Appeals rejected

the argument that governmental adoption of privately authored works destroys copyright protection and results in the privately authored work entering the public domain. The majority of other courts that have decided this issue have agreed with the Second Circuit. *See infra* § II(C).

Defendants argue that this Court should adopt the reasoning of the sharply divided Fifth Circuit decision in *Veeck v. Southern Building Code Congress International, Inc.*, 293 F.3d 791 (5th Cir. 2002) (*en banc*). That decision has been widely criticized, and no other court has actually held that privately authored works incorporated into law lose their copyright protection.

A. The Supreme Court Has Never Held That Privately Authored Works Lose Their Copyright Upon Government Adoption.

In *Wheaton* and *Banks*, the Supreme Court addressed the issue of whether the court reporters for the U.S. Supreme Court and the Ohio Supreme Court, respectively, had viable copyright claims against parties who copied their reports of the courts' written opinions. Neither case purported to address the question of whether privately authored works lose their copyright protection upon government adoption.

In *Wheaton*, a Supreme Court reporter claimed copyright in his annotated collections of opinions. 33 U.S. (8 Pet.) 591. Although the bulk of the opinion addressed whether the plaintiff complied with the provisions of the Copyright Act of 1790, in the final sentence of the majority opinion, the Court stated that “no reporter has or can have any copyright in the written opinions delivered by this court; and that the judges thereof cannot confer on any reporter any such right.” *Id.* at 668. But no part of the opinion addressed the availability of copyright protection for privately authored works or the impact of subsequent government adoption of such works.

In *Banks*, an Ohio statute required the court reporter to “secure a copyright, for the use of the state, for each volume of the reports so published.” 128 U.S. at 245. The Supreme Court held that the court reporter “was not the author . . . of the syllabus, the statement of the case, or

the decision or opinion of the court. The state, therefore, could not become the assignee of the [court reporter], as such author. . . .” *Id.* at 252. The *Banks* court went to great lengths to limit the scope of its holding, stating that “[w]hether the state could take out a copyright for itself, or could enjoy the benefit of one taken out by an individual for it . . . is a question not involved in the present case, and we refrain from considering it.” *Id.* at 253.

The Second Circuit addressed the significance of *Banks* in *County of Suffolk v. First American Real Estate Solutions*. 261 F.3d 179 (2d Cir. 2001). In that case, the court considered whether tax maps created by government employees were entitled to copyright protection. The Second Circuit rejected the accused infringer’s argument that the government-authored tax maps were in the public domain as a matter of law based on *Banks* and two other decisions cited by Defendants, *Howell v. Miller*, 91 F. 129 (6th Cir. 1898), and *Building Officials & Code Administrators v. Code Technology, Inc.*, 628 F.2d 730 (1st Cir. 1980). After analyzing this precedent, the Second Circuit concluded that “we are unable to declare a general rule that works by state governmental authors are automatically in the public domain from their inception.” 261 F.3d at 194. The Second Circuit interpreted *Banks* as holding that

two considerations influence whether a particular work may be properly deemed in the public domain: (1) whether the entity or individual who created the work needs an economic incentive to create or has a proprietary interest in creating the work and (2) whether the public needs notice of this particular work to have notice of the law.

*Id.*⁶ The Second Circuit thus recognized that *Banks* did not adopt a *per se* prohibition on copyright protection for any government work, let alone suggest a *per se* prohibition on copyright protection for privately authored works that are subsequently incorporated into law,

⁶ *Accord Practice Mgmt.*, 121 F.3d at 518–19 (holding that *Banks* turns on two grounds: (1) the public owns the opinions because it pays the judges’ salary; and (2) “the due process requirement of free access to the law” which was not a concern in the Practice Management case because “[t]here is no evidence that anyone wishing to use the [copyrighted work] has any difficulty obtaining access to it.”)

such as the works at issue here.

While Defendants rely heavily on *Wheaton* and *Banks*, they ignore the last of the three Supreme Court cases that addressed the copyrightability of court reports—*Callaghan v. Myers*, 128 U.S. 617 (1888). In *Callaghan*, the plaintiff sought copyright protection for certain reports of the Supreme Court of Illinois that included annotations written by the court-appointed reporter. The Supreme Court rejected the defendant’s argument “that all matters contained in the volumes”—including the reporter’s annotations—“are public and common property, forming part of the law of the state of Illinois, and as such not susceptible of copyright, or in any manner literary property, in which a private citizen can have a monopoly under the act of congress regulating the subject of copyright.” *Id.* at 623. Instead, the Supreme Court held that “although there can be no copyright in the opinions of the judges, or in the work done by them in their official capacity as judges, yet there is no ground of public policy on which a reporter who prepares a volume of law reports, of the character of those in this case, can, in the absence of a prohibitory statute, be debarred from obtaining a copyright for the volume which will cover the matter which is the result of his intellectual labor.” *Id.* at 647 (citation omitted). Even though the reporter was a “sworn public officer,” he was not ineligible for an otherwise available copyright given the “tacit assent by the government to his exercising such privilege.” *Id.* “The universal practical construction has been that such right exists unless it is affirmatively forbidden or taken away.” *Id.*

In other words, even where the author was paid by the state to create the official reports of the Supreme Court of Illinois, the United States Supreme Court concluded that there was not a *per se* prohibition on the reporter’s obtaining copyright protection for his contributions. *Id.* In fact, the Supreme Court made clear that the default rule was that even a government employee

could assert copyright protection in his contributions unless the copyright was “affirmatively forbidden or taken away” by the relevant governmental authority. *Id.*

In sum, the Supreme Court has never addressed the issue of whether privately authored works lose copyright protection once they are adopted by a governmental authority. But even in the context of works authored by government employees, the Supreme Court made clear that there is no *per se* prohibition on copyright protection, and that claims of copyright protection by government employees must be assessed in light of the need for economic incentive for creation, the need for public notice, and whether the relevant governmental authority has sought to preclude copyright protection.

B. The Second Circuit’s CCC Decision Rejected UpCodes’ Argument That State Incorporation of a Privately Authored Work Destroys Copyright Protection.

Although the Supreme Court has never addressed the impact of government incorporation on the copyright of a privately authored work, the Second Circuit addressed that issue in the CCC case. The accused infringer, CCC, argued that Maclean Hunter’s Red Book was in the public domain and no longer protected by copyright because it had been incorporated into law. The Second Circuit expressly considered and rejected this argument.

[CCC’s] argument is that the public must have free access to the content of the laws that govern it; if a copyrighted work is incorporated into the laws, the public need for access to the content of the laws requires the elimination of the copyright protection.

No authority cited by CCC directly supports the district court’s view. . . .

We are not prepared to hold that a state’s reference to a copyrighted work as a legal standard for valuation results in loss of the copyright. While there are indeed policy considerations that support CCC’s argument, they are opposed by countervailing considerations. For example, a rule that the adoption of such a reference by a state legislature or administrative body deprived the copyright owner of its property would raise very substantial problems under the Takings Clause of the Constitution. . . . Although there is scant authority on CCC’s argument, Nimmer’s treatise opposes such a suggestion as antithetical to the interests sought to be advanced by the Copyright Act. *See* NIMMER § 5.06 [C] at 5–60.

Id. at 73–74.

Defendants spend a great deal of time attempting to wriggle out from under the *CCC* decision. Defs.’ Mem at 24–28. But their efforts fail because the Second Circuit flatly rejected their core argument that “if a copyrighted work is incorporated into the laws, the public need for access to the content of the laws requires the elimination of the copyright protection,” and made clear that “[n]o authority cited by CCC directly supports [that] view.” *CCC*, 44 F.3d at 73.

Defendants attempt to distinguish *CCC* by arguing that “[t]he work at issue in *CCC* did not provide mandatory rules governing conduct” because the insurance statutes established Red Book values as one of several alternative approved valuation methods under the law. Defs.’ Mem. at 24–25. But Defendants fail to cite any language in the Second Circuit’s opinion suggesting that the court’s holding was predicated on the availability of valuation methods that did not require use of the Red Book.

Moreover, the United States recently considered and rejected this distinction. In its Final Rule on Incorporation by Reference, the Office of the Federal Register explained that it received a petition in response to the proposed rule suggesting that:

. . . the National Technology Transfer and Advancement Act of 1995 (NTTAA) and the Office of Management and Budget’s (OMB) Circular A-119 distinguish between regulations that require use of a particular standard and those that “serve to indicate that one of the ways in which a regulation can be met is through use of a particular standard favoring the use of standards as nonbinding ways to meet compliance.”

1 C.F.R. Part 51, 79 Fed. Reg. No. 216 (Nov. 7, 2014) at 66267. The United States did not adopt this proposed distinction. Instead, the United States concluded that “when the Federal government references copyrighted works, those works should not lose their copyright” regardless of whether the adopted standard is the sole method of complying with the law or one

of several options. *Id.* at 66268.⁷

C. The Majority of Courts That Have Decided the Issue Have Concluded that State Adoption of Privately Authored Works Does Not Destroy Copyright Protection.

The Second Circuit’s decision in *CCC* is consistent with the majority of courts that have addressed the impact of government incorporation of privately authored works. Most notably, the Ninth Circuit addressed this issue in *Practice Management*. There, the Ninth Circuit considered a copyrighted coding system called the Physician’s Current Procedural Terminology (“CPT”) developed by the American Medical Association (“AMA”) to help doctors and other health care workers identify medical procedures. *Practice Mgmt.*, 121 F.3d at 517. The Health Care Financing Association (“HCFA”) “adopted regulations requiring applicants for Medicaid reimbursement to use” the AMA’s codes for each procedure. *Id.* at 518. An AMA competitor sought to publish those codes, arguing that the codes “became uncopyrightable law when HCFA adopted the regulation mandating [their] use.” *Id.* The court rejected that argument, holding that the codes continued to be protected by copyright. *Id.* at 520.

Emphasizing copyright’s purpose under the Constitution to “promote the progress of science and the useful arts” (U.S. CONST. art. I, § 8, cl. 8), the court reasoned that “[t]o vitiate copyright, in such circumstances, could, without adequate justification, prove destructive of the copyright interest, in encouraging creativity,’ *a matter of particular significance in this context because of ‘the increasing trend toward state and federal adoptions of model codes.’*” 121 F.3d at 518 (quoting 1 NIMMER ON COPYRIGHT § 5.06[C], at 5-92 (1996)) (emphasis added).

The *Practice Management* court recognized that the Supreme Court in *Banks* held that judges do not hold copyright in their opinions because (1) “the public owns the opinions because

⁷ Defendants contend that the United States took a different position in the Solicitor General’s brief recommending denial of certiorari in *Veeck*, but that clearly is no longer the United States’ position, as explained above.

it pays the judges' salaries" and (2) "due process require[s] free access to the law." *Practice Mgmt.*, 121 F.3d at 518–19 (citing *Banks*, 128 U.S. at 253). As the *Practice Management* court explained, *Banks*' first justification does not apply to privately developed works because "copyrightability of the [codes] provides the economic incentive for the [standards development organization] to produce and maintain [them]." *Id.* at 518. *Banks*' second rationale (due process) arises only if there is "evidence that anyone wishing to use the [codes] has any difficulty obtaining access to it." *Id.* at 519. The Ninth Circuit concluded that the AMA codes retained their copyright protection notwithstanding the HCFA's requirement that healthcare professionals use the AMA codes.

Defendants' attempt to distinguish *Practice Management* is puzzling at best. Defendants argue that "Practice Management sought to invalidate the copyright in the CPT (analogous to the *model* code in *Veeck*), not the government-enacted HCPCS (analogous to the *enacted* Building Codes of Anna and Savoy in *Veeck*)." Defs.' Mem. at 32. Defendants appear to misunderstand both the AMA's claim and ICC's claim. The AMA, like ICC, claimed copyright ownership only in the portion of the codes that it drafted and sought to preclude the accused infringer from copying those portions. The AMA, like ICC, did not claim to own copyrights in any portions of the government enactments beyond what was contained in the codes that they authored. *Sup. SUMF* ¶ 40. Practice Management, like Defendants, argued that the copyrights in the privately authored codes that were incorporated into law lost their copyright protection. The Ninth Circuit rejected this argument and held that the incorporation into law did not destroy the copyright in the AMA's codes. This Court should reach the same conclusion with respect to the codes that ICC alleges to be infringed here, namely, the model I-Codes.⁸

⁸ It also bears mention that the HCFA *required* applicants for Medicaid reimbursement to use the CPT, and other federal agencies required physicians to use the CPT. *Practice Management*, 121 F.3d at 518 & n.2. As a result,

In addition, two district courts have decided the issue of whether government adoption destroys copyright protection, and both of those courts concluded that it does not. Most recently, in *American Society for Testing & Materials v. Public.Resource.Org*, 13-cv-1215, 2017 WL 473822, at *14 (D.D.C. Feb. 2, 2017), *rev'd on other grounds* 895 F.3d 437 (D.C. Cir. 2018), the court held that “Plaintiffs’ standards have not entered the public domain upon their incorporation by reference into federal regulations and do not lose their copyright protection.” *Id.* The court explained that “changes to the statutory or regulatory framework that reconsider the balancing of interests underlying modern copyright law and incorporation by reference must be made by Congress, not this court.” *Id.* Previously, the court in *John G. Danielson, Inc. v. Winchester-Conant Properties, Inc.*, 186 F. Supp. 2d 1, 22 (D. Mass. 2002), *aff’d in part, rev’d in part*, 322 F.3d 26 (1st Cir. 2003), reached a similar conclusion, holding that “the balance of competing interest . . . favors preserving copyright protection for works incorporated by reference.”⁹

Thus, the weight of authority holds that government incorporation does not destroy privately owned copyrights.

D. The Sharply Divided *Veeck* Decision is Distinguishable and Not Persuasive.

Only one case has actually held that government adoption of privately authored works terminates copyright protection—the *Veeck* case. But the *Veeck* majority opinion rests on a faulty foundation. As a result, it has been widely criticized, and no other court has ever actually

Defendants’ attempt to explain away the holding of *CCC* based on the fact that the Red Book was one of several alternatives available for legal compliance does not apply to *Practice Management*.

⁹ On appeal, both the District of Columbia and First Circuits reserved judgment on the issue of whether government incorporation terminates copyright protection. See *ASTM*, 896 F.3d at 441 (indicating that the court was “leaving for another day the far thornier question of whether standards retain their copyright after they are incorporated by reference into law”); *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 322 F.3d 26, 40 (1st Cir. 2003) (“There are compelling arguments on both sides of the question we reserved in *BOCA* [i.e., the copyrightability of works after government adoption]. They implicate the proper scope of the public domain and the best means to encourage private involvement and expertise in lawmaking. But . . . we need not resolve the question we left open in *BOCA* in order to rule on this case.”)

held that a preexisting copyright for a privately authored work is destroyed by government adoption.

The *Veeck* majority purported to ground its conclusion that government adoption destroyed the copyrights in the model codes on the Supreme Court’s *Banks* decision. *Veeck*, 293 F.3d at 795–800. SBCCI argued that *Banks* was properly understood to set forth a two-pronged or bifurcated analysis in assessing the availability of copyright protection for government authored works. *Id.* at 796. The *Veeck* majority conceded that “[t]wo courts, in addition to the panel that originally heard this case, have identified the consideration of authorship incentives as a ‘holding’ of *Banks*,” citing the Second Circuit’s decision in *County of Suffolk* and the Ninth Circuit’s decision in *Practice Management*. *Id.* at 796–97. Yet the *Veeck* majority rejected this interpretation of *Banks*, holding that “*Banks*, however, does not bifurcate its holding based on the particular authors’ need of the Copyright Act’s incentives or a factual calculus concerning the ‘adequacy’ of public access to the law.” *Id.* at 797.

This foundation of the *Veeck* majority opinion directly conflicts with the Second Circuit’s decision in *County of Suffolk*, as even the Fifth Circuit implicitly acknowledged. As explained above, the Second Circuit unambiguously set forth the proper interpretation of *Banks*.

In *Banks*, for example, the Supreme Court held that as a matter of public policy judges may not own a copyright in the fruits of their judicial labor. *See* 128 U.S. at 253. Because judges “receive from the public treasury a stated annual salary . . . and can themselves have no pecuniary interest or proprietorship, as against the public at large,” they cannot own a copyright. *Id.* Considerations of due process and fair notice also motivated the *Banks* Court: the “whole work done by the judges constitutes the authentic exposition and interpretation of the law, which, binding every citizen, is free for publication to all . . .” *Id.* If judges owned a copyright in their opinions, theoretically, they could restrict dissemination of the law. Thus, two considerations influence whether a particular work may be properly deemed in the public domain: (1) whether the entity or individual who created the work needs an economic incentive to create or has a proprietary interest in creating the work and (2) whether

the public needs notice of this particular work to have notice of the law.

261 F.3d at 194. Therefore, the foundation of the majority opinion in *Veeck* is contrary to Second Circuit precedent, and this Court should refuse to follow *Veeck* for this reason alone.

Moreover, the destruction of the copyrights for privately authored works based on government adoption conflicts with several provisions of the Copyright Act. For example, the Act provides that copyright in a work “vests initially in the author or authors of the work.” 17 U.S.C. § 201(a). And the Act enumerates how copyright can be divested, *e.g.*, through the transfer or expiration of copyrights, *id.* §§ 204, 302, but it never suggests that a copyright is terminated or divested by the work’s incorporation into law. In fact, the Act expressly provides that “no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of [a] copyright . . . shall be given effect under this title, except as provided [for bankruptcy].” *Id.* § 201(e). *Veeck* effects an involuntary transfer or divestment of copyright ownership based on an action by a governmental body in a manner that the Copyright Act does not allow.

In addition, as explained in greater detail above, *Veeck*’s holding that state or local adoption of privately authored works destroys copyright protection is contrary to the Supremacy Clause and the Takings Clause of the U.S. Constitution and the preemption provisions of the Copyright Act, 17 U.S.C. § 301. *See supra* § I.

It is unsurprising that federal regulatory agencies, the leading copyright treatises, and scholarly commentators have either disagreed with *Veeck* or urged that it be read narrowly so as not to apply to other cases of government incorporation. *See, e.g.*, OFR Rule Announcement, 79 Fed. Reg. at 66268 (“[W]e noted that recent developments in Federal law, including the *Veeck* decision . . . have not eliminated the availability of copyright protection for privately developed

codes and standards referenced in or incorporated into federal regulations. Therefore, we agreed with commenters who said that when the Federal government references copyrighted works, those works should not lose their copyright.”); 2 PATRY ON COPYRIGHT § 4.84 (arguing that the *Veeck* majority opinion is “deeply flawed” and “should be disapproved of”); 1 NIMMER § 5.12 (noting that the *Veeck* majority “took pains to emphasize the limits of its holding,” in order “to allay the fear of amici standards-writing organizations”); Emily S. Bremer, *On the Cost of Private Standards in Public Law*, 63 U. Kan. L. Rev. 279, 293–94 (2015) (noting that *Veeck* was “controversial” and arguing that “[s]tripping copyright protection for incorporated materials is a poor solution to the public access problem”). In keeping with this broad consensus, the Court should recognize that *Veeck* is not persuasive authority.¹⁰

E. The Pertinent Facts Show that in No Event Are Defendants Entitled to Summary Judgment.

As explained above, in *CCC*, the Second Circuit rejected the argument “that a state’s reference to a copyrighted work as a legal standard . . . results in loss of the copyright.” *CCC*, 44 F.3d at 74. This precedent of course is binding in this Court, and, therefore, Defendants are not entitled to summary judgment on the basis that state adoption invalidated ICC’s copyrights.

If, however, the Court decides to apply the standard for copyrightability of governmental works set forth in *Banks*, *Callaghan*, and *County of Suffolk*, Defendants still would not be

¹⁰ Defendants’ reliance on *Code Revision Commission v. Public.Resource.Org*, 906 F.3d 1229 (11th Cir. 2018), *cert. granted sub nom. Georgia v. Public.Resource.Org, Inc.*, No. 18-1150 (June 24, 2019), is misplaced for several reasons. For example, *Code Revision* did not decide the question of whether a private entity loses an admittedly preexisting copyright when a state government adopts it. Instead, the *Code Revision* court was “presented with the question of whether the annotations contained in the Official Code of Georgia Annotated [] *authored by the Georgia General Assembly . . . may be copyrighted by the State of Georgia.*” *Id.* at 1231–32 (emphases added). To the extent the *Code Revision* decision contains dicta suggesting that state adoption of privately authored works may destroy a private entity’s copyright protection, that dicta suffers many of the same flaws as the majority opinion in *Veeck*, including that it is inconsistent with the Supremacy Clause and the Takings Clause of the U.S. Constitution, the text of the Copyright Act, and the Second Circuit’s *CCC* decision. Moreover, the Supreme Court has decided to review the 11th Circuit’s decision in *Code Revision*, and it may not survive additional scrutiny.

entitled to summary judgment. As those cases make clear, any assessment of such copyrightability should take into account at least three factors: the need for economic incentive for creation, the need for public notice, and whether the relevant governmental authority has sought to preclude copyright protection. Defendants fail to demonstrate the absence of a material fact on any of these factors. Rather, each of these factors shows that ICC is entitled to copyright protection for the I-Codes even after a government adopts them.

First, the un rebutted evidence¹¹ confirms that ICC requires the economic incentive of copyright protection to continue to create and update the I-Codes. The un rebutted evidence in this case indicates that “[i]f the Plaintiff loses copyright protection for its model codes when the government incorporates them into law, the Plaintiff’s business model and incentives will be seriously impaired. The result will be a likely reduction in the number, quality, and acceptability of critical standards.” SUMF ¶ 209. The un rebutted evidence also confirms that “ICC primarily relies on the revenues derived from the sale and/or licensing of its copyrighted publications . . . to fund the development of its I-Codes,” SUMF ¶ 203, and “if standards-development becomes significantly less profitable because the standards can be copied and sold by others, then the incentives to engage in standards-development decrease.” SUMF ¶ 204.

Second, the public undeniably already has access to the I-Codes. ICC makes the I-Codes available to view for free on its website, SUMF ¶ 66, and it sells copies of the I-Codes at a reasonable cost. SUMF ¶ 69. As a result, Defendants could not and do not claim that they have been unable to access any of the I-Codes. SUMF ¶ 89.

Third, the jurisdictions that have adopted the I-Codes have not sought to preclude ICC from maintaining its copyrights in the I-Codes. In fact, [REDACTED]

¹¹ As Defendants’ “expert” witness admits, he is not an expert in the incentives faced by standards development organizations. SUMF ¶ 86.

_____ and the state and local publications that include ICC’s copyrighted content display ICC’s copyright notices. SUMF ¶ 80. As a result, jurisdictions expressly acknowledge that ICC will maintain its copyrights.

Even if this Court decides to follow the *Veeck* majority, Defendants still would not be entitled to summary judgment. The *Veeck* majority ruled against SBCCI at least in part based on its findings that “SBCCI operates with the sole motive and purpose of creating codes that will become obligatory in law” and that SBCCI did not require an economic incentive to create the codes at issue. *Veeck*, 293 F.3d at 805. In the present case, the uncontradicted evidence confirms that the I-Codes are created for a variety of reasons, such as use as industry best practices and in voluntary compliance programs, use in training, and use by the insurance industry, SUMF ¶¶ 25–34, and are not written with the “sole motive and purpose of creating codes that will become obligatory in law.” *See Veeck*, 293 F.3d at 805. In addition, as explained above, the expert testimony confirms that ICC requires an economic incentive to create the I-Codes. Moreover, Defendants have continued to post ICC’s copyrighted content that is not the law. Sup. SUMF ¶¶ 16–39. Therefore, the undisputed material facts differ from *Veeck*, as should the result.

III. DEFENDANTS’ MERGER DEFENSE FAILS BECAUSE THERE WERE MULTIPLE WAYS TO WRITE BUILDING CODES AT THE TIME THAT THE I- CODES WERE WRITTEN.

Because there were a multitude of ways to express the ideas contained in the I-Codes at the time of their creation, the expression does not merge with the ideas contained therein. Defendants improperly focus their merger analysis on the I-Codes after they were adopted, arguing that the “‘fact’ of the law ha[d] . . . merged with its expression in the text of the law.” Defs.’ Mem. at 17. The merger doctrine, however, instructs that the examination must center on

the options available to the author, ICC, when the I-Codes were created. And at that time, as Defendants concede, there were numerous ways to express the ideas contained in the I-Codes.

A. Defendants Fail to Prove the Applicability of Merger.

Copyright law protects “only the expression of an idea and not the idea itself.” *Kregos v. Associated Press*, 937 F.2d 700, 705 (2d Cir. 1991). Based on that principle, the doctrine of merger instructs that the expression of an idea is not protectable “where there is only one or so few ways of expressing an idea that protection of the expression would effectively accord protection to the idea itself.” *Id.* at 705.

Whether an idea and an expression merge must be “evaluated at the time of creation, not at the time of infringement.” *Oracle Am., Inc. v. Google Inc.*, 750 F.3d 1339, 1361 (Fed. Cir. 2014); *see also Kregos*, 937 F.2d at 705–07 (analyzing the expressive options available to the creator of a baseball form at the time the form was fixed in a tangible medium). Defendants do not and could not contend that there was only one or a very few ways to express the ideas contained in each of the I-Codes at the time of creation.

Instead, Defendants confuse this issue with the issue of whether merger is an affirmative defense. Some courts apply the merger doctrine in assessing whether the plaintiff owns a valid copyright as part of the plaintiff’s case in chief and others consider merger an affirmative defense to copyright infringement. *See Kregos*, 937 F.2d at 705; *Oracle*, 750 F.3d at 1358. *Kregos* instructs that courts in the Second Circuit must apply merger as an affirmative defense. *Kregos*, 937 F.2d at 705. Regardless of whether merger is considered a question of copyrightability or as an affirmative defense, the focus of the merger inquiry is always on the time of a work’s creation. *See Kregos*, 937 F.2d at 706–07; *see also Oracle*, 750 F.3d at 1358.

Assessing merger at the time of the work’s creation is consistent with the statutory scheme of the Copyright Act. As the Solicitor General of the United States explained, if merger

was assessed at some later date, “the copyrightability of a particular work would turn on events that substantially postdated the work’s creation. That result is at odds with the Copyright Act’s basic design, under which copyright protection subsists from the creation of a work through the prescribed statutory term.” U.S. Br. at 18 n.2 in *Google, Inc. v. Oracle Am., Inc.*, No. 14-410 (May 26, 2015).

The Second Circuit’s holding in *Kregos* is instructive. There, the court analyzed whether merger applied to plaintiff’s baseball pitching forms and its analysis focused on the time when the forms were created. The court evaluated plaintiff’s “selection of categories” of baseball pitching statistics against the selections made by the authors of other forms *at the time that plaintiff created his form*. See *Kregos*, 937 F.2d at 706–07. The Second Circuit noted that “[i]t is undisputed that *prior to Kregos’ 1983 form*, no form had listed the same nine items collected in his form,” *id.* at 702, and contrasted *Kregos’ 1983 form* to three preexisting forms (*i.e.*, Siegel’s 1978 form, Fratas’ 1980 form, Eckstein’s 1981 form), *id.* Thereafter, the court rejected the merger defense, holding:

As the various pitching forms in the record indicate, the past performances of baseball pitchers can be measured by a variety of statistics *Kregos’ selection of categories includes three statistics for the pitcher’s current season performance against the day’s opponent at the site of the day’s game; other charts select ‘at site’ performance against the opponent during the prior season, and some select performance against the opponent over the pitcher’s career, both home and away. . . . These variations alone (and there are others) abundantly indicate that there are a sufficient number of ways of expressing the idea of rating pitchers’ performances to preclude a ruling that the idea has merged into its expression.*

Id. at 706–07. Thus, the Second Circuit assessed whether a work’s expression merges with an idea by analyzing the array of possible options available to the plaintiff *at the time he created the forms*. This is true even though the Second Circuit applied merger as an affirmative defense to infringement.

More recently, the Federal Circuit addressed the issue of whether merger should be assessed at the time of creation or whether courts could consider subsequent developments in assessing merger. In *Oracle*, the plaintiff asserted that Google infringed its copyrights in certain application programming interfaces (“APIs”). 750 F.3d at 1347. Google argued that it was entitled to copy Oracle’s API packages because they had become the effective industry standard. *Id.* at 1372. The Federal Circuit was “unpersuaded” by this argument and noted that “Google cites no authority for its suggestion that copyrighted works lose protection when they become popular, and we have found none.” *Id.* Thus, the Federal Circuit concluded:

the district court erred in focusing its merger analysis on the options available to Google at the time of copying. It is well-established that copyrightability and the scope of protectable activity are to be evaluated at the time of creation, not at the time of infringement. [citations omitted]. The focus is, therefore, on the options that were available to Sun/Oracle at the time it created the API packages.

Id. at 1361; *id.* at 1372 (“[T]o the extent Google suggests that it was entitled to copy the Java API packages because they had become the effective industry standard, we are unpersuaded.”).¹²

In the present case, Defendants do not argue that ICC was limited to one way or even a limited number of ways to express the I-Codes at the time they were written. *See* Defs.’ Mem. at 16–19. In fact, Defendants conceded that the drafters may have “considered multiple ways to express” the ideas contained in the I-Code before settling on the chosen language. Defs.’ Mem. at 18. Rather than address the options available to ICC at the time of creation, Defendants argue that the ideas contained in the I-Codes merged with their expression because, *after the I-Codes were adopted*, “[t]he ‘idea’ or ‘fact’ of the law . . . merged with its expression in the text of the law.” Defs.’ Mot. at 17. But this argument fails because the merger defense must be analyzed at

¹² Notably, like the Second Circuit in *Kregos*, the Federal Circuit assessed merger as a defense to infringement, rather than as a question of copyrightability. *Oracle*, 750 F.3d at 1358 (“concepts of merger and scenes a faire are affirmative defenses to claims of infringement”). Even though it considered merger to be a defense to infringement, it still held that merger must be assessed at the time of creation.

the time the I-Codes were created, rather than at some later date. *See* 750 F.3d at 1361. As a result, the merger doctrine does not bar ICC’s claims.¹³

B. Defendants’ Application of the Merger Doctrine Would Destroy Otherwise Valid Copyrights in Any Work Once a Single Governmental Entity Adopts the Work.

In addition to the inapplicability of merger for the reasons discussed above, a decision holding that merger applies to the I-Codes would have the problematic result of indicating that any governmental adoption will destroy ICC’s otherwise valid copyrights. This result would run contrary to the express purpose of copyright law and act as a disincentive to the creation of original works. *CCC*, 44 F.3d at 65–66.¹⁴ The Second Circuit has warned that applying merger to wholesale takings would “largely vitiate the inducements offered by the copyright law” to creators and render copyright protection “illusory.” *Id.* at 70, 73. This concern is particularly apparent where a copyrighted work is republished in full, as the I-Codes as Adopted were by UpCodes. *See id.* at 70–73. The Second Circuit repeatedly has advised that merger should be applied cautiously to avoid these consequences. *See id.* at 72; *Kregos*, 937 F.2d at 705.

¹³ Defendants’ reliance on the majority’s merger analysis in *Veeck* is misplaced. *See* Defs.’ Mem. at 17–19. The majority opinion assessed merger at the time of infringement without any explanation and without citing any support for this approach. In this regard, the *Veeck* majority’s analysis is inconsistent with the “basic design” of the Copyright Act, as the Solicitor General explained in its *Oracle* brief to the Supreme Court, as well as the Second Circuit’s analysis in *Kregos* and the Federal Circuit’s analysis in *Oracle*. As the dissent in *Veeck* explained:

A complex code, even a simple one, can be expressed in a variety of ways. That reality is not ended by choosing one manner of expression to enact and then pronouncing that this normative rule—“the law”—can only be expressed in one way. Of course, you have adopted the protected expression; the reasoning is wholly tautological. It is a restatement of the conclusion that adopting the codes invalidated the copyright, not an independent reason why that is so.

293 F.3d at 807.

¹⁴ This concern dovetails with the concern regarding the Takings Clause of the U.S. Constitution, which would prohibit states from taking ICC’s copyrighted language without reasonable compensation. *See supra*. § I.

IV. DEFENDANTS’ DECISION TO BUILD A FOR-PROFIT BUSINESS BASED ON MAKING WHOLESALE COPIES OF ICC’S CODES AVAILABLE TO THE PUBLIC FOR FREE IS NOT FAIR USE.

Allowing Defendants to republish the I-Codes as Adopted on UpCodes’ website in direct competition with ICC and its licensees would disserve the objectives of copyright—and is not justified by fair use. *See Castle Rock Entm’t, Inc. v. Carol Publ’g Grp.*, 150 F.3d 132, 141 (2d Cir. 1998). As stated in ICC’s motion for summary judgment, ICC owns valid copyrights that Defendants willfully reproduced, distributed, and displayed without authorization, entitling ICC to summary judgment on its copyright infringement claims. ECF No. 84-1. At most, Defendants raise factual questions that this Circuit has held may not be hastily resolved on summary judgment. *Ringgold v. Black Entm’t Television, Inc.*, 126 F.3d 70, 81 (2d Cir. 1997) (reversing for further factual development on the issue of fair use); *Wright v. Warner Books, Inc.*, 953 F.2d 731, 735 (2d Cir. 1991) (“The fact-driven nature of the fair use determination suggests that a district court should be cautious in granting Rule 56 motions.”)

A. The Purpose and Character of Defendants’ Use Weighs Against Fair Use.

1. Defendants’ Use of the I-Codes to Build a “Freemium” Business Model is a Commercial Use.

“[M]ost secondary uses of copyrighted material, including nearly all of the uses listed in the statutory preamble, are commercial.” *Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 109 (2d Cir. 1998). Use of a copyrighted work to “advertise a product . . . will be entitled to less indulgence under the first factor of the fair use enquiry.” *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 585 (1994); *accord United States v. Am. Soc. of Composers, Authors & Publishers (“ASCAP”)*, 599 F. Supp. 2d 415, 428–30 (S.D.N.Y. 2009) (denying summary judgment on fair use defense and finding instead that use of free song previews to entice customers to buy full ringtones was not a fair use, “[was] not transformative and that it [was] commercial”).

The Second Circuit has also long held that the overarching inquiry under “[t]he first factor . . . asks whether the original was copied in good faith to benefit the public or primarily for the commercial interests of the infringer.” *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 922 (2d Cir. 1994) (“*Texaco*”) (quoting *Rogers v. Koons*, 960 F.2d 301, 309 (2d Cir. 1992)). Defendants’ emphasis of their allegedly altruistic motives of providing free public access to the law ignores that the public already had access to the I-Codes for free from ICC before UpCodes entered the market.¹⁵ SUMF ¶¶ 66, 90–91.

Defendants sought commercial profits for themselves and their investors by republishing the I-Codes [REDACTED] in direct competition with ICC and its licensees. SUMF ¶ 94, Ex. 18 ([REDACTED])

see also SUMF ¶¶ 159, 166–67 (describing ICC and ██████████ as direct competitors).

Defendants’ deliberate profiteering from unauthorized republishing of ICC’s content is hornbook commercial use. *Harper & Row Publishers v. Nation Enters.*, 471 U.S. 539, 562 (1985) (“The crux of the profit/nonprofit distinction is . . . whether the user stands to profit from exploitation of the copyrighted material *without paying the customary price.*”) (emphasis added).

In fact, Defendants' for-profit [REDACTED] business model relies on making ICC's copyrighted content available for free to attract users [REDACTED]. SUMF ¶ 93, Ex. 45 [REDACTED] SUMF ¶ 94, Ex.

¹⁵ In similar scenarios, this Court has found such use to be commercial and not fair. See *ASCAP*, 599 F. Supp. 2d at 429 n. 12 (quoting *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349, 352 (S.D.N.Y. 2000) for rejecting a defendant’s fair use defense premised on “provid[ing] a useful service to consumers,” because, according to the court, “[c]opyright . . . is not designed to afford consumer protection or convenience but, rather, to protect the copyrighters’ property interests. . . . [And s]tripped to its essence, defendant’s ‘consumer protection’ argument amounts to nothing more than a bald claim that defendant should be able to misappropriate plaintiffs’ property simply because there is a consumer demand for it.”)

18 (“[REDACTED]”); SUMF ¶¶ 119, 160–64, Exs. 25, 47, 55 (promoting “Free Building Codes Online” to build user base of “over 200,000 active monthly users”). This is undeniably commercial use. *E.g.*, *ASCAP*, 599 F. Supp. 2d at 428–29 (finding use of free song previews to entice customers to buy retailer’s full ringtones was commercial).

Defendants also misstate the law by asserting that the commercial/non-commercial inquiry “does not look to the nature of the user, but to the nature of the use.” Defs.’ Mem. at 38. *American Geophysical Union v. Texaco* does not support this contention—rather, the Second Circuit expressly stated that it did “*not* consider Texaco’s status as a for-profit company irrelevant to the fair use analysis.” 60 F.3d at 921–22 (holding that while the “court’s focus should be on the use of the copyrighted material and not simply on the user, it is *overly simplistic* to suggest that the ‘purpose and character of the use’ can be fully discerned *without considering the nature and objectives of the user.*”) (emphasis added). In *Texaco*, the Second Circuit took issue with the district court’s “undue emphasis” on the for-profit status of Texaco because the alleged infringement supported research and was not directly tied to Texaco’s profits or commercial performance. *Id.* at 921.

However, as described above, Defendants’ commercial performance is directly tied to its making copies of ICC’s Codes to first attract customers with free limited-use previews of the content and then to [REDACTED] customers into paying customers who want more functionality combined with the content. SUMF ¶¶ 160-61, Exs. 12 & 13 (UpCodes makes ICC’s Codes free for viewing, downloading, and printing, and then, in the paid subscription service, allows customers to search, bookmark, highlight, and comment on code sections); SUMF ¶ 94 (Defendants describe their business as [REDACTED]).

[REDACTED]; ECF No. 85-2 ¶ 17. Defendants' customers are not paying for subscriptions merely for the technological tools that are available in UpCodes Premium—they are paying for access to the ICC Codes combined with the technology features. Sup. SUMF ¶ 11 (“Saving sections, commenting, and organizing our content around dedicated projects has been a massive help.”). Accordingly, Defendants' commercial structure, objectives, and use weigh strongly against fair use.

2. Defendants' Use Is a Substitute for Licensed Competitors; It Is Not Transformative.

A use is “transformative” when it “serves a new and different function from the original work and *is not a substitute* for it.” *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87, 96 (2d Cir. 2014) (explaining that “[a]dded value or utility is not the test”) (emphasis added); *Campbell*, 510 U.S. at 579 (contrasting “work[s that] *merely supersede[]* the objects of the original creation” with those “with a further purpose or different character” in explaining how to determine whether a work is “transformative”) (emphasis added).

At its core, Defendants' posting of ICC's Codes is a substitute use—not a transformative one—because Defendants offer verbatim copies of significant portions of all of the I-Codes for the express purpose of converting customers of ICC and its licensees into UpCodes customers. SUMF ¶ 162 (offering users an [REDACTED] to lure users to switch from ICC's licensed material to UpCodes premium subscription); SUMF ¶¶ 166–67 (referring to ICC as a

[REDACTED]; SUMF ¶ 159, Ex. 18 [REDACTED] an ICC licensee). Defendants market UpCodes and UpCodes Premium to

[REDACTED] to enable them to access and

use building codes—exactly the same market ICC and its licensees serve. SUMF ¶¶ 94, Ex. 18; SUMF ¶¶ 27-28, Ex. 3 (indicating that the I-Codes are used in similar fields). Defendants’ directly competitive substitute use should not be deemed “transformative.”¹⁶

Defendants cite *Swatch* for the proposition that “reproducing facts with precision is a transformative purpose.” Defs.’ Mem. at 35. The court made no such broad holding. The court reasoned that defendant’s purpose of “revealing the newsworthy information” to a *new audience* in contrast to “Swatch Group’s *purpose [] to withhold*” such information gave defendant’s “use at least an *arguably* transformative character.” *Swatch Grp. Mgmt. Servs. Ltd. v. Bloomberg L.P.*, 756 F.3d 73, 84–85 (2d Cir. 2014) (emphasis added). But the *Swatch* court ultimately held that “regardless of how transformative the use is, . . . under the *unusual circumstances* of this case,” the first factor “weighs in favor of fair use, for two reasons. First [because] copying the exact spoken performance of Swatch Group’s executives was reasonably necessary to convey their full meaning” and “[s]econd, [because the] use did *no harm* to” Swatch’s “copyright interests” because Swatch, “[i]mportantly, . . . did not seek to profit from the publication of the [work] in audio or written format.” *Swatch*, 756 F.3d at 85–86 (emphasis added).

By contrast, as explained above, Defendants use the I-Codes as Adopted to reach the same audiences for the same purposes as ICC. Thus, Defendants’ argument that their use is

¹⁶ None of the transformation cases upon which Defendants rely involve a directly competitive commercial substitute. *ASTM*, 896 F.3d at 450 (remanding and not reaching decision on transformative use); *Swatch*, 756 F.3d at 91 (defendant’s “overriding purpose here was not to “scoop[]” Swatch or “supplant the copyright holder’s commercially valuable right” and “Swatch had no interest in the exploitation of the copyright-protected aspects of the call” at issue in the case); *V. ex rel. Vanderhye v. iParadigms, LLC*, 562 F.3d 630, 638, 644 (4th Cir. 2009) (finding iParadigms’ archiving of copyrighted “works as digital code” for plagiarism detection to be transformative because it was “completely unrelated to [the] expressive content” and “*no market substitute was created* by” such use) (emphasis added); *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1165 (9th Cir. 2007) (recognizing that the use of low-resolution thumbnail images was not a substitute for the original high-resolution images, especially when the use of the low-resolution image was to direct users to the *original source* of the high-resolution images).

transformative is not supported by *Swatch* and is contrary to binding authority.¹⁷ *TCA Television Corp. v. McCollum*, 839 F.3d 168, 182–83 (2d Cir. 2016) (“[T]here is ‘nothing transformative’ about using an original work ‘in the manner it was made to be’ used.”) (quoting *On Davis v. Gap, Inc.*, 246 F.3d 152, 174 (2d Cir. 2001)); see also *Ringgold*, 126 F.3d at 79 (weighing against fair use where use was for “precisely a central purpose for which it was created”).

For these reasons, the first factor should weigh heavily against fair use.

B. Nature of the Copyrighted Work

Under the second factor, courts must examine “the nature of the copyrighted work,” 17 U.S.C. § 107(2).¹⁸ As the Second Circuit recently recognized, this factor “rarely play[s] a significant role in the determination of a fair use dispute.” *Authors Guild v. Google, Inc.*, 804 F.3d 202, 220 (2d Cir. 2015); see also Defs.’ Mem. at 40 (quoting same).¹⁹

While some courts have suggested that a finding of fair use is more warranted when the work is fictional than factual, the Second Circuit recently disapproved that suggestion, holding that “authors of factual works, like authors of fiction, should be entitled to copyright protection

¹⁷ Defendants’ efforts to shoehorn their “verbatim” copying into a use that is “analogous” to news reporting is likewise unavailing. Defs.’ Mem. at 36. *Swatch* expressly rejects such an analogy for directly competitive uses where “defendants attempted to use the banner of newsworthiness to supersede the core objects of original works whose production critically depended upon copyright protection.” *Swatch*, 756 F.3d at 86. The court explained: “Finding fair use in those cases would have severely impeded the ability of news and research organizations to obtain payment for their expression, imperiling the economic foundation of vital industries.” *Id.*

¹⁸ Even if the court considers the nature of the I-Codes as Adopted, it is critical to bear in mind that the Second Circuit has held that state reference to a privately authored work “as a legal standard” does not “result[] in loss of the copyright.” *CCC*, 44 F.3d at 74.

¹⁹ Defendants’ suggestion that the nature of the work should be “at the forefront of the fair-use analysis” is unsupportable. Defs.’ Mem. at 38. Courts repeatedly have held that the first and fourth factors are the most important. *Authors Guild v. Google*, 804 F.3d at 214 (“The [Supreme] Court observed in *Harper & Row* . . . that the fourth factor . . . ‘is undoubtedly the single most important element of fair use.’”) (quoting *Harper & Row*, 471 U.S. at 566 (1985)); *Cariou v. Prince*, 714 F.3d 694, 705 (2d Cir. 2013) (“The first statutory factor to consider . . . is “[t]he heart of the fair use inquiry.”) (quoting *Blanch v. Koons*, 467 F.3d 244, 251 (2d Cir. 2006)). This is particularly true where the infringing use offers a competing substitute—as is the case here. See, e.g., *Capitol Records, LLC v. ReDigi Inc.*, 910 F.3d 649, 662 (2d Cir. 2018) (“When a secondary use competes in the rightsholder’s market as an effective substitute for the original, it impedes the purpose of copyright . . . [and f]or this reason, the Supreme Court . . . described the fourth factor as “undoubtedly the single most important element of fair use.”) (citations omitted).

of their protected expression.” *Authors Guild v. Google*, 804 F.3d at 220. Here, because the I-Codes are complex works that take considerable resources to produce, and because providing an incentive for ICC to develop and publish the I-Codes is manifestly in the public interest, these works are at the core of copyright law, and so this factor weighs in ICC’s favor. *Cf. Harper & Row*, 471 U.S. at 546 (“It is evident that the monopoly granted by copyright actively served its intended purpose of inducing the creation of new material of potential historical value.”).

Defendants’ only argument regarding this factor is that “the express text of the law falls plainly outside the realm of copyright protection.” Defs.’ Mem. at 39 (quoting *ASTM*, 896 F.3d at 451). Defendants’ argument fails because the Copyright Act requires the Court to assess the “nature of the copyrighted work,” 17 U.S.C. § 107(2), which in this case are model I-Codes and which deserve copyright protection, and not the nature of the works posted by Defendants.

C. Amount and Substantiality of the Work Taken

Under the third factor, “the relevant questions are whether ‘the amount and substantiality of the portion [of the original work] used . . . are reasonable in relation to the purpose of the copying.’” *Authors Guild v. Google*, 804 F.3d at 221 (quoting *Campbell*, 510 U.S. at 586–87). “[W]hen the purpose of the defendant’s use is precisely the same as that of third parties who license the material from the plaintiff, ‘the question of whether the amount used was reasonable in relation to the purpose of the copying must be answered in the negative.’” *Sinclair v. Am. Media, Inc.*, 2018 WL 5258583, at *6 (S.D.N.Y. Sept. 7, 2018), *report and recommendation adopted*, No. 18-CV-0823 (LAK), 2018 WL 5255172 (S.D.N.Y. Oct. 22, 2018) (quoting *BWP Media USA, Inc. v. Gossip Cop Media, Inc.*, 196 F. Supp. 3d 395, 409 (S.D.N.Y. 2016)); *see also Campbell*, 510 U.S. at 587–88 (advising that “the degree to which the [copied work] may serve as a market substitute for the original” weighs against fair use).

Verbatim reuse of a work to offer a competitive substitute weighs against fair use. *See Campbell*, 510 U.S. at 587–88 (where “a substantial portion of the infringing work was copied verbatim from the copyrighted work . . . [it] is more likely to be a merely superseding use, fulfilling demand for the original) (internal quotations omitted); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449–50 (1984) (Where “the entire work is reproduced . . . its ordinary effect [is] of militating against a finding of fair use.”); *ReDigi*, 910 F.3d at 662 (rejecting fair use where defendant offered a competitive substitute (“used” digital copies of songs), holding that “use of the entirety of a digital file . . . tends to disfavor a finding of fair use”).²⁰

Here, Defendants admit that they copied and made available to the public all or nearly all of ICC’s Codes. SUMF ¶¶ 122–26. And Defendants’ stated purpose was to [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] SUMF ¶ 94, Ex. 18; SUMF ¶¶ 166–67. Thus, the third factor should weigh strongly against fair use.

Defendants mistakenly argue that their “copying of an entire work” is “necessary to make a fair use,” and, as a result, their wholesale copying “does not weigh against a finding of fair use.” Defs.’ Mem. at 41. Defendants are wrong on both the law and the facts. This Circuit has repeatedly rejected this argument where such use usurps the market for the original work, holding that “[c]omplete unchanged copying has [] been found justified as fair use when the

²⁰ To the extent there are exceptions to this analysis, they apply exclusively to non-competitive substitutes. *See Authors Guild v. Google*, 804 F.3d at 206, 221–22 (concluding that the use at issue “test[ed] the boundaries of fair use” and that “[w]ithout doubt, . . . [the] larger the quantity of the copyrighted text the searcher can see . . . the greater the likelihood that those revelations could serve her as an effective, free substitute for the purchase of the plaintiff’s book.”); *Fox News Network, LLC v. TvEyes, Inc.*, 883 F.3d 169, 178–79 (2d Cir. 2018) (rejecting fair use defense despite defendant’s transformative use and finding that the third factor “clearly” weighed against fair use because clips of copyrighted content provided users with “the entirety of the message” they wanted to see).

copying was reasonably appropriate to achieve the copier's *transformative* purpose *and* was done in such a manner that it *did not offer a competing substitute for the original.*" *Authors Guild v. Google*, 804 F.3d at 221-22 (emphasis added) (concluding that Google's "snippet view" prevented an end user from accessing enough of the original content to "usefully serve as a competing substitute for the original"); *see also HathiTrust*, 755 F.3d at 97-100 (holding that the "full-text search function does not serve as a substitute for the books that are being searched"); *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 612-15 (2d Cir. 2006) (finding images were "not used . . . to promote the sale of the book" and defendant's use of thumbnail images as "historical artifacts" in its timeline was transformative and "did not impact [plaintiff's] primary market" for the works); *Swatch*, 756 F.3d at 91 (defendant's "overriding purpose here was not to 'scoop[]' Swatch or 'supplant the copyright holder's commercially valuable right'" and "Swatch had no interest in the exploitation of the copyright-protected aspects of the call").

Defendants argue that their "copying of the totality" of the I-Codes as Adopted was "reasonably necessary" in light of "UpCodes' purpose of disseminating the law."²¹ Defs.' Mem. at 41. This argument fails because, prior to UpCodes' founding, ICC made its codes available to the public to freely view. SUMF ¶¶ 89–91. If Defendants' true motive was to make all codes easily accessible in one place, they could have aggregated hyperlinks to the original sources, as they did for the 2015 International Zoning Code, which redirected to ICC's website. SUMF ¶ 91. Instead, to build their for-profit business, Defendants made unrestricted copies of ICC's

²¹ ICC disputes Defendants' contention that their purpose in copying the I-Codes as Adopted was to disseminate the law. [REDACTED]

[REDACTED]. SUMF ¶¶ 87–101, 149–67.

In addition, certain of Defendants' postings clearly are motivated by a desire to post unaltered versions of the model I-Codes rather than a desire to provide access to the law. For example, Defendants post what they purport to be "the law" of obscure villages, like South Holland, IL in order to justify posting copies of the I-Codes without amendment. SUMF ¶ 129. At a minimum, there is a factual dispute as to the purpose of Defendants' copying.

Codes available within the confines of their website—in direct competition with ICC and its licensee, [REDACTED]. SUMF ¶¶ 130, 166–67. Such for-profit usurpation weighs against fair use in this Circuit and elsewhere. *See VHT, Inc. v. Zillow Grp., Inc.*, 918 F.3d 723, 742–44 (9th Cir. 2019) (finding “full copy display” of content in “walled garden” type search (i.e., where website does “not direct users to the original sources of the [content]”) weighs against the third factor).

Finally, it is not even true that “UpCodes disseminates only those portions of the publications at issue that were actually adopted as the law.” *See, e.g.*, SUMF ¶ 127; Sup. SUMF ¶¶ 27–28, 34, 37. Defendants claim that if they “copied less than the totality of the law, [they] could not inform citizens reliably what their legal obligations are.” Defs.’ Mem. at 41. But at times they made only the model I-Codes available on their website and did not inform customers about additional legal obligations adopted by the relevant jurisdiction. Sup. SUMF ¶¶ 16–39 (Defendants omit portions of the Wyoming Public Health Code and numerous sections of South Holland building codes from their website notwithstanding its purported purpose to make “the law” available in one place).

Defendants’ unjustified verbatim reuse of all or virtually all of ICC’s Codes to offer a competitive substitute therefore should have “its ordinary effect of militating against a finding of fair use” under the third factor. *Sony*, 464 U.S. at 449–50.

D. Effect of the Use on the Potential Market

The effect of the secondary use on the potential market is “undoubtedly the single most important element of fair use.” *Harper & Row*, 471 U.S. at 566; *accord ReDigi*, 910 F.3d at 662 (quoting the same). This factor “requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also ‘whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially

adverse impact on the potential market' for the original.” *Campbell*, 510 U.S. at 590 (quoting NIMMER § 13.05[A] [4], p. 13–102.61). As the Supreme Court explained, common sense dictates that “when a commercial use amounts to mere duplication of the entirety of an original, it clearly supersedes the objects of the original and serves as a market replacement for it, making it likely that cognizable market harm to the original will occur.” *Id.* at 591.

“Since fair use is an affirmative defense, its proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets.” *Id.* at 590; *see also Associated Press v. Meltwater U.S. Holdings, Inc.*, 931 F. Supp. 2d 537, 560 (S.D.N.Y. 2013). Yet Defendants fail to cite any evidence that their posting of ICC’s Codes as Adopted did not impact the markets for the I-Codes or the I-Codes as Adopted. Instead, Defendants assert without evidence that “there is no reason to think that UpCodes’ use has any effect on the market for ICC’s model codes *as model codes*.” Defs.’ Mem. at 43. This argument ignores that Defendants bear the burden of proving the absence of any impact, and mere speculation is insufficient to satisfy this burden. *See AP*, 931 F. Supp. 2d at 561.

Putting aside the absence of evidentiary support, Defendants’ argument that there is no reason to believe that their copying has adversely impacted the market for ICC’s Codes flies in the face of the Supreme Court’s recognition that a secondary work “composed primarily of an original, particularly its heart, with little added or changed, is more likely to be a merely superseding use, fulfilling demand for the original.” *Campbell*, 510 U.S. at 587–88; *see also iParadigms*, 562 F.3d at 643 (“The fair use doctrine protects against a republication which offers the copyrighted work in a secondary packaging, where potential customers, having read the secondary work, will no longer be inclined to purchase again something they have already read.”) (quoting *Sundeman v. The Seajay Soc’y, Inc.*, 142 F.3d 194, 207 (4th Cir. 1998)) (internal

quotation marks omitted).

There is *considerable* reason to think that Defendants’ admitted verbatim republication of substantial portions of the I-Codes as Adopted is “merely superseding use” that fulfills demand for the model I-Codes. For example, Defendants’ expressly stated purpose is to affect a market substitution for ICC’s Codes. SUMF ¶ 166 [REDACTED]

[REDACTED]; SUMF ¶ 156 ([REDACTED])

[REDACTED]) The undisputed evidence also strongly suggests exactly such effects. SUMF ¶¶ 200–01 ([REDACTED]) [REDACTED]; *see also ASTM*, 896 F.3d at 453 (“the SDOs are right to suggest that there may be some adverse impact on the market for the copyrighted works [the defendant] reproduced on its website”).

In fact, Defendants have posted the I-Codes as Adopted in a manner that adversely impacts ICC’s markets for the model I-Codes. Defendants post charts showing which jurisdictions adopt unamended versions of the I-Codes so that visitors to their website can easily locate a substitute for accessing the model codes from ICC. Sup. SUMF ¶ 6; SUMF ¶ 142, Ex. 20 [REDACTED]

Additionally, Defendants’ premium services directly displace ICC’s market for its premiumACCESS subscription by offering users many of the same enhanced tools for use on ICC’s Codes, such as bookmarking, highlighting, and searching. SUMF ¶ 161.

Defendants’ use (and similar uses by other commercial enterprises) likewise threatens ICC’s market for its derivative works. If widespread copying of ICC’s Codes by competitors

constitutes fair use, then ICC’s licensing market, training and certification programs, and other downstream businesses are threatened. SUMF ¶¶ 82, 209–11. It is undisputed that ICC’s licensees “are likely to cease paying royalties to ICC if the Court holds that UpCodes is permitted to continue to post ICC’s Codes online.” SUMF ¶ 74. ICC also offers training programs that include code excerpts and verbatim text of the I-Codes. SUMF ¶ 79. The ability to include such excerpts in training materials sets ICC apart from its competitors. SUMF ¶ 79.

Thus, substantial evidence shows that Defendants’ posting of the I-Codes as Adopted adversely impacts the market for the I-Codes as model codes and derivatives thereof, a market that Defendants acknowledge “may be a market cognizable under the Copyright Act.” Defs.’ Mem. at 43.

Defendants also assert without support that the Court must ignore the harm that their posting of the I-Codes as Adopted had on ICC’s market for the I-Codes as Adopted.²² Defs.’ Mem. at 43. This argument ignores that ICC retains its copyrights in the portions of the I-Codes as Adopted that are copyrighted by ICC and that are not authored by a state.²³ As this Circuit described in *CCC*, adoption of a “private work into law might justify a fair use defense for *a personal use*, but should not immunize *a competitive commercial publisher from liability since this would prove destructive of the copyright interest* in encouraging creativity in connection

²² Although only certain types of harm are cognizable, such distinctions are not applicable here. *Campbell*, 510 U.S. at 592 (The “role of the courts is to distinguish between [critical uses that] suppress[] demand [and] copyright infringement[, which] usurps it” and remarking that “the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market.”); accord *Castle Rock Entm’t*, 150 F.3d at 145. Defendants’ posting of significant and verbatim portions of the I-Codes as Adopted in direct commercial competition with ICC and its licensees is not analogous to the parodies and literary reviews cited by Defendants. Defs.’ Mem. at 42–43.

²³ Relevant here, the fair use analysis is separate and distinct from whether ICC’s copyright protection remains after adoption of its codes. Consideration of the affirmative defense of fair use presumes that the Court would otherwise find infringement of ICC’s copyrights in the I-Codes. See *Campbell*, 510 U.S. at 590; NIMMER § 13.05[A][2][a] (“A work will always be found ‘original for copyrightability purposes before the fair use analysis is applied.’” (quoting *Compaq Computer Corp. v. Ergonome, Inc.*, 387 F.3d 403, 410 (5th Cir. 2004))). Accordingly, the fourth factor of the fair use analysis presupposes that a valid copyright exists in the I-Codes after adoption.

with the increasing trend toward state and federal adoptions of model codes.” CCC, 44 F.3d at 74, n.30 (emphasis added). (quoting NIMMER, § 5.06[C] at 5–60) (internal quotations omitted).

Even Defendants acknowledge that “traditional, reasonable, or likely to be developed markets should be legally cognizable when evaluating a secondary use’s ‘effect upon the potential market for or value of the copyrighted work.’” Defs.’ Mem. at 42 (quoting *Texaco*, 60 F.3d at 930). And the undisputed evidence confirms that there is a traditional and long-standing market for integrated building codes (showing both state authored language and the text of the model code), such as the I-Codes as Adopted. SUMF ¶¶ 72, 151. Defendants offer virtually identical integrated codes on their website, SUMF ¶¶ 136, 190–91, and, as the Supreme Court has made clear, a secondary use “composed primarily of an original, with little added or changed, is likely to be a merely superseding use, fulfilling demand for the original.” *Campbell*, 510 U.S. at 587–88.

In sum, ICC suffers cognizable harm to its market for the model I-Codes and the I-Codes as Adopted because there are fully functioning markets for ICC’s copyrighted material as to which Defendants have simply chosen not to obtain a license. The Second Circuit’s precedent makes clear that “[a]n unauthorized use should be considered *less fair when there is a ready market or means to pay for the use.*” *Texaco*, 60 F.3d at 930-31 (emphasis added). Because Defendants’ posting of the I-Codes as Adopted serve as substitutes to the ICC’s copies of the model I-Codes and the I-Codes as Adopted, the fourth factor weighs heavily against fair use.

V. ICC IS NOT COLLATERALLY ESTOPPED FROM LITIGATING ANY ISSUES IN THIS CASE.

Collateral estoppel does not apply here because two essential elements are missing. And, even if not, a well-recognized exception to the doctrine applies.

First, this lawsuit and the *Veeck* case are not “between the same parties or their privies.”

Ali v. Mukasey, 529 F.3d 478, 489 (2d Cir. 2008) (citation omitted). Neither party here was a party in *Veeck*, nor is ICC in privity with the party that lost in *Veeck* in the sense needed to support UpCodes’ collateral estoppel argument.

Second, the issue here is not “the same as the one presented” in *Veeck*. *Wyly v. Weiss*, 697 F.3d 131, 141 (2d Cir. 2012). *Veeck* held that the codes in that case were not protected by copyright only after using the particular facts of that case—which differ from the facts here—to distinguish cases from the Second and Ninth Circuits. Like the parties in the Second and Ninth Circuits, and unlike SBCCI in *Veeck*, ICC does not create model codes for the sole purpose of their incorporation into law, and it needs the incentives of copyright protection. *Veeck* did not decide whether copyright protection is justified in such circumstances.

Third, even if those two requirements were satisfied, the only issue potentially common to the two cases would be a pure, unmixed question of law. Under a well-established exception to collateral estoppel, which is designed to foster the development of the law on purely legal questions, ICC may not be precluded from litigating that purely legal question here.

A. Defendants Have Not Shown that ICC is in Privity with SBCCI so as to Allow Summary Judgment in this Case.

Collateral estoppel does not apply unless the precluded party already made (and lost) the relevant argument. *See Wyly*, 697 F.3d at 141 (“the party to be bound must have been a party to the [prior] suit, or else fall within one of a few discrete exceptions to the general rule against binding nonparties” (quoting *Smith v. Bayer Corp.*, 564 U.S. 299, 308 (2011) (alterations omitted)); *see also Taylor v. Sturgell*, 553 U.S. 880, 892 (2008) (doctrine precludes “parties from contesting matters that *they* have had a full and fair opportunity to litigate” (emphasis added) (quoting *Montana v. United States*, 440 U.S. 147, 153-54 (1979))). This rule protects litigants’ “due process” rights not to be bound when they “never had an opportunity to be heard.”

Parklane Hosiery Co. v. Shore, 439 U.S. 322, 327 n.7 (1979).

Because ICC was not a party in *Veeck*, Defendants’ only argument is that ICC’s connection to SBCCI fits within one of the narrow categories of “privity.” But the only privity category it invokes (at 44–45), and the only category even remotely relevant, is the category of privity between “succeeding owners of property.” *See Taylor*, 553 U.S. at 894 & n.8.

But that type of privity cannot help Defendants. While a successor-in-interest may be bound by past judgments affecting the particular property that was transferred, such privity extends no further. *Int’l Nutrition Co. v. Horphag Research Ltd.*, 220 F.3d 1325, 1329 (Fed. Cir. 2000). The parties “are *not* in privity for other purposes, such as an adjudication of rights in other property that was never transferred between the two.” *Id.* (emphasis added); 18 Wright & Miller, *Federal Practice and Procedure* § 4462 (3d ed.) (“Preclusion is limited to the property involved in the judgment” because there “is no independent reason” besides the property transfer “to treat the defeated litigant as the representative of his transferee.”). That means that a successor-in-interest is free to raise any argument in relation to *other property*—regardless of whether it would be precluded from raising that argument in relation to the property it obtained from the estopped predecessor-in-interest. *See* Restatement (Second) Judgments § 43 (1982).

Veeck’s preclusive effect on ICC, then, is limited to claims connected to the property at issue in *Veeck*—*i.e.*, the copyright for SBCCI’s 1994 Standard Building Code. *See Veeck*, 293 F.3d at 793. ICC is free to defend its copyright interests in any other work using any argument it wishes. That is fatal to Defendants’ principal argument because ICC has not accused Defendants of infringing the 1994 Standard Building Code.

Defendants assume that the property at issue here is the same as the property at issue in *Veeck* on the theory that *some* of the language in the 1994 Standard Building Code is present in

the codes at issue here. Defs.’ Mem. at 44. But Defendants gloss over the significant differences. ICC succeeded to the 1994 Standard Building Code from SBCCI as part of a much larger series of transactions in which several organizations, including SBCCI, BOCA, and ICBO, donated their building code copyrights and other assets to ICC. *See* Sup. SUMF ¶ 3. ICC later created new building codes using some language from all of these donated codes, and some of its own language. Gratz Decl. Ex. 8 (Pfeiffer Dep.) 81:19-82:6, 84:6-17; SUMF ¶¶ 40-56.

Under established copyright law principles, these later rewrites are different property from the 1994 Standard Building Code, notwithstanding the (very small amount of) overlap. Each new code is a separate creative work entitled to its own copyright, even if it incorporates language or similar material from prior copyrighted works. *See Key Publ’ns, Inc. v. China Town Today Pub. Enters., Inc.*, 945 F.2d 509, 512-13 (2d Cir. 1991) (“[F]or purposes of copyright, originality is not synonymous with novelty. Similarity to prior works will not, in and of itself, affect the validity of a particular work’s copyright.”). Even if ICC’s Codes consisted *solely* of preexisting material, they would still be protected as distinct intellectual property because they feature “an original selection or arrangement.” *See id.* at 512.

In reality, ICC’s Codes not only involve original arrangements and selection of preexisting material (from SBCCI and others), UpCodes SUMF ¶ 22, but also include new material drafted through ICC’s rigorous process, ICC SUMF ¶¶ 37–65. Given these different types of originality, it makes little sense for Defendants to fixate on a handful of overlapping paragraphs (a total of eight sentences) to dub two different works “the same property.” Defs.’ Mem. at 44, 45–46. Defendants admit (at 47) that they needed to prove “identity of property.” *See Int’l Nutrition*, 220 F.3d at 1329-30 (no preclusion regarding new intellectual property). But showing some of the “text” existed in both codes, Rog. Resp. No. 13, is not enough to prove the

property is the same. The differences in the property at issue in *Veeck* and the property at issue here establish that ICC is not generally in privity with SBCCI for purposes of this case. *See* Wright & Miller § 4462 (“[p]reclusion is limited to the property involved in the judgment”).

But even if Defendants were right to argue that the five paragraphs they have identified qualify as the same “property” at issue in *Veeck*, ICC could still be precluded only with respect to those five paragraphs. Defendants identify no other language in ICC’s codes that was at issue in *Veeck*. They therefore cannot use collateral estoppel to defeat ICC’s claims as to the balance of the codes, and, at summary judgment, ICC is entitled to the inference that these five paragraphs are the totality of the overlap between the codes. *See Citibank, N.A. v. Tele/Res., Inc.*, 724 F.2d 266, 269 (2d Cir. 1983) (“we are required to” resolve “all reasonable inferences in favor of” non-movant).

B. Defendants Have Not Shown that Issues here are Identical to Those Necessarily Decided in *Veeck*, Since that Case Relied on Facts that are Not True Here.

Even if Defendants could show that there are no genuine disputes of fact over ICC’s purported privity with SBCCI, factual disputes would still preclude summary judgment. Defendants have not carried their burden to show that the issues actually and necessarily decided in *Veeck* are *identical* to those in this case. There are at least two material factual distinctions, which Defendants ignore, that distinguish the issues in this case from the issues in *Veeck*.

First, the *Veeck* court distinguished two prior cases—including a Second Circuit case that is binding authority here—which had held that privately authored works incorporated into laws can remain copyright-protected. 293 F.3d at 805 (citing *CCC*, 44 F.3d 61 and *Practice Mgmt.*, 121 F.3d 516). According to *Veeck*, the copyrighted works in those cases “were created by private groups for reasons other than incorporation into law,” while the work in *Veeck* “serves *no other purpose* than to become law.” *Id.* (emphasis added). The court explained: “SBCCI

operates with the *sole motive and purpose* of creating codes that will become obligatory in law.” *Id.* (emphasis added).

That is not true of ICC here. The summary judgment record attests that ICC has various other motives for creating its codes besides their “becom[ing] obligatory in law.” *Id.* ICC’s codes are created “to promote the health, safety and general welfare of the occupants of new and existing building structures;” “to promote uniformity and interoperability of products in the built environment, health and safety ..., and to provide minimum [manufacturing] requirements;” and “for use as industry best practice benchmarks for designers and builders, guidance for construction projects, and tools for managing facilities.” SUMF ¶¶ 25–27. The codes are created to be “used as voluntary compliance programs,” such as those promoting “sustainability, energy efficiency, and disaster resistance;” for use in “the insurance industry to estimate and manage risks;” “for certification” of “construction-related products” and workers in the building industry; and “for use by colleges universities, and professional schools.” *Id.* ¶¶ 29–34. These and other purposes of ICC’s codes, which must be credited at summary judgment, go well beyond the scenario in *Veeck*.

Second, *Veeck* rejected SBCCI’s argument that it needed “copyright’s economic incentives” to support its business, partly because SBCCI put forward no evidence supporting that claim. *See* 293 F.3d at 805 & n.21. Indeed, *Veeck* noted that, “[t]o the extent incentives are relevant to the existence of copyright protection,” the authors of standards in *CCC* and *Practice Management* created the content “for reasons other than incorporation into law,” and thus “deserve incentives.” *Id.* at 805. *Veeck* concluded that the same was not true for SBCCI, which put forward no other “factual ‘evidence’ on this point.” *Id.* at 805 n.21. Indeed, “[n]o effort was made to show by what amount copying by people like *Veeck* would or could reduce the

organization’s revenue.” *Id.*

Here, on the other hand, ICC has put forward expert evidence that “a loss of copyright protection” over the ICC’s Codes likely will lead to “reduction in the number, quality, and acceptability of critical standards,” given that “revenue generated from the sale and licensing of copyrights standards, and downstream products . . . is a key contributor to the resources needed” to create the relevant standards. SUMF ¶¶ 82–83 (citing Jarosz Expert Report ¶ 160). In other words, the loss of the copyright here will “seriously impair[]” “ICC’s business model and incentives.” *Id.* ¶¶ 209–16. Defendants’ expert presented no contrary evidence. Indeed, he stated he does not have “the necessary expertise to offer an opinion” on how ICC could “respond to a finding that it is not entitled to copyright protection” on the relevant standards. *Id.* ¶ 85.

Both of these factors point in the opposite direction from *Veeck*’s conclusions in this case. Because the “underlying facts [are] different” here, Defs.’ Mem. at 48 (citing *Kulas v. Flores*, 255 F.3d 780, 783–84 (9th Cir. 2001)), the issues are not identical to those in *Veeck*.

C. This Court is Not Precluded from Adjudicating the Pure Question of Law that Defendants Say *Veeck* Decided.

Ignoring the factual underpinnings of *Veeck*’s holding, Defendants characterize the issue decided in *Veeck* in sweeping terms: “whether a private party may enforce its copyright in model codes when those codes have been enacted into law in a particular jurisdiction and are presented as the law of that jurisdiction.” Defs.’ Mem. at 47. Even if this Court were to ignore the important factual distinctions between this case and *Veeck*, such a pure, unmixed question of law could not give rise to non-mutual collateral estoppel.

Even in cases where the other collateral estoppel factors apply, the doctrine does not preclude resolution of pure legal questions. On the contrary, “where pure questions of law—unmixed with any particular set of facts—are presented to a court, the interests of finality and

judicial economy may be outweighed by other substantive policies.” *Sec. Inv’r Prot. Corp. v. Bernard L. Madoff Inv. Sec. LLC*, 513 B.R. 437, 441 (S.D.N.Y. 2014) (quoting *Env’tl. Def. v. EPA*, 369 F.3d 193, 203 (2d Cir. 2004)); accord *U.S. v. Alcan Aluminum*, 990 F.2d 711, 719 (2d Cir. 1993). In particular, issue preclusion does not extend to non-parties to the previous case (Defendants, here) that seek to raise a purely legal issue, because “treating it as conclusively determined would inappropriately foreclose opportunities for obtaining reconsideration of the legal rule upon which it was based.” Restatement (Second) Judgments § 29(7); see also *Chicago Truck Drivers, Union (Indep.) Pension Fund v. Century Motor Freight, Inc.*, 125 F.3d 626, 531 (7th Cir. 1997).

Applying non-mutual collateral estoppel to pure legal questions would improperly deprive coordinate federal appellate courts the “opportunity to reconsider the applicable rule, and thus to perform [their] function of developing the law.” Restatement (Second) Judgments § 29 cmt. i; see *Af-Cap, Inc. v. Chevron Overseas (Congo) Ltd.*, 475 F.3d 1080, 1086 (9th Cir. 2007) (explaining collateral estoppel should be denied when it would “substantially thwart the development” of the law, especially when the “issue was determined in an appellate court whose jurisdiction is coordinate with” other federal circuits, and “the issue is of general interest and has not been resolved by the United States Supreme Court”). Until *stare decisis* applies or the Supreme Court resolves the federal legal question here presented, all federal circuit courts must have the opportunity to answer it and thus either confirm the legal interpretation of the first circuit to do so, or to create a circuit split to permit “expeditious resolution by the Supreme Court.” *Divine v. Comm’r*, 500 F.2d 1041, 1049-50 (2d Cir. 1974). Either way, under this well-established exception, the Second Circuit may not be foreclosed from resolving the sweeping copyright question decided in *Veeck* merely because the Fifth Circuit answered it first.

That is true even if one of the parties is in privity with a party in the first case. For “[i]t would manifestly be unjust to apply one rule of law forever as between the parties and to apply a different rule to all other persons.” Wright & Miller § 4425 (citing Austin Wakeman Scott, *Collateral Estoppel by Judgment*, 56 Harv. L. Rev. 1, 7 (1942)); see *Chicago Truck Drivers*, 125 F.3d at 532. If other litigants may argue this pure question of law outside the Fifth Circuit, so may ICC. It would be absurd to say that, because the Fifth Circuit decided that adoption by two Texas towns negated the copyright in SBCCI’s 1994 Standard Building Code, the copyrights in *all* adopted I-Codes, including those that have come into existence since *Veeck*, are also negated.

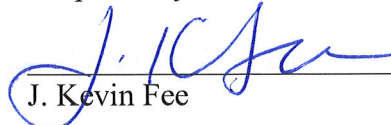
While ICC disagrees with Defendants’ over-reading of *Veeck*, if they are right, they have refuted their own collateral estoppel argument. Defendants claim that factual differences between *Veeck* and this case “are of no consequence.” Defs.’ Mem. at 47. Under Defendants’ own theory, then, *Veeck* decided an “abstract ruling[] of law, unmixed with any particular set of facts”—just the type of issue to which “preclusion does not attach.” Wright & Miller § 4425. Collateral estoppel simply does not apply to stop this Court, or the Second Circuit, from deciding the “abstract ruling[] of law” allegedly already decided by the Fifth Circuit—particularly given *stare decisis* considerations that require this Court’s allegiance to CCC rather than any over-reading of *Veeck*. *Id.* As the Second Circuit has itself recognized, the *Veeck* court’s admittedly “novel[]” resolution of a “pure issue[] of law,” *Veeck*, 293 F.3d at 794, cannot be precluded. See *Divine*, 500 F.2d at 1049.

CONCLUSION

For all the foregoing reasons, the Court should deny Defendants’ motion.

Dated: June 28, 2019

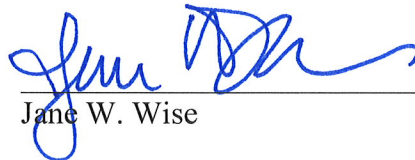
Respectfully submitted,


J. Kevin Fee

CERTIFICATE OF SERVICE

I hereby certify that on June 28, 2019, the foregoing International Code Council Inc.'s Memorandum of Law in Support of its Motion for Summary Judgment, ICC's Supplemental Statement of Undisputed Material Fact in Support of Its Opposition to Defendants' Motion for Partial Summary Judgment, ICC's Statement of Disputed Facts, and Exhibits 1-2 to the Declaration of Melike Oncu, and Exhibit V to the Declaration of Jane Wise were filed with the clerk of this Court and served on counsel of record *via* email, including:

Joseph C. Gratz (*Pro Hac Vice*)
Ragesh Kumar Tangri (*Pro Hac Vice*)
Catherine Y. Kim (*Pro Hac Vice*)
217 Leidesdorff Street
San Francisco, CA 94111
Phone: (415) 362-6666
Facsimile: (415) 236-6300
jgratz@durietangri.com
rtangri@durietangri.com
ckim@durietangri.com
Counsel for Defendants



Jane W. Wise