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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

No. C 10-04422 WHA

INNOSPAN CORP.,

Plaintiff,

v.

INTUIT, INC., MINT SOFTWARE, INC.,
SHASTA VENTURES GP, LLC, AARON
PATZER, JASON PUTORTI, TOD
FRANCIS and DOES 1–20,

Defendants.

**ORDER DENYING IN PART AND
GRANTING IN PART MOTION
FOR LEAVE TO FILE A THIRD
AMENDED COMPLAINT**

INTRODUCTION

In this trademark infringement action, plaintiff Innospan Corporation moves for leave to file a third amended complaint. For the reasons stated below, the motion to file a third amended complaint is **DENIED IN PART** and **GRANTED IN PART**.

STATEMENT

In 2005, Hong-Seok Kim founded Mint Communications, Inc., the predecessor to plaintiff Innospan Corporation (referred to herein as “Mint Com”). Mint Com was engaged in high-speed internet solutions and IT consulting services (Third Amd. Compl. ¶¶ 18, 19). In 2005, Mint Com allegedly hired a graphic designer, May Guo, to develop a logo (*id.* at ¶ 20). The logo depicts the word “mint” in dark green; a stylized mint leaf tops the letter “I” in the word “mint.” Plaintiff

1 Innospan Corporation and its related companies have been using the “mint” mark continuously
2 since July 2005.

3 In 2006, John Park, an attorney who represented Mint Com, sent Mint Com’s business
4 plans via e-mail to defendant Tod Francis, managing director of Shasta Ventures GP, LLC, and to
5 Shasta employee Jason Pressman. The e-mail was sent “as a means to open a potential
6 investment discussion with Shasta” (*id.* at ¶ 25). The e-mail contained a disclaimer within its
7 automated signature which read: “this e-mail message is intended for the personal use of the
8 recipient(s) named above . . . this message may be . . . privileged and confidential . . . if you are
9 not an intended recipient, you may not review, copy or distribute.” The following phrase was
10 printed at the bottom of each page of the business plan: “This document contains confidential
11 and proprietary information that belongs exclusively to Mint Communications, Inc.”

12 The business plan was forwarded to Rob Coneybeer of Shasta for review. In
13 February 2006, Coneybeer contacted Kim to request another copy of the business plan. Kim
14 replied with a short e-mail with the business plan attached. Kim’s e-mail stated: “I would like to
15 ask you not to share our information with anybody or any [venture capitalists]” (*id.* at ¶ 30).
16 Plaintiff alleges that Coneybeer replied but did not object to or disagree with the request for
17 confidentiality. Subsequently, Kim met with Coneybeer. At the meeting, Coneybeer allegedly
18 expressed interest in the “mint” mark. Kim sent an additional version of the business plan,
19 marked with a proprietary stamp, in May 2006.

20 Ultimately, Shasta declined to invest in Mint Com around May 2006. About a year later,
21 Shasta invested in defendant Mint Software, Inc., an unrelated business devoted to providing free
22 online personal financial services (*id.* at ¶¶ 35, 36). Defendant MSI has used several different
23 mint marks in connection with this business between 2006 and 2010. Defendant Intuit, Inc.
24 purchased MSI in 2009.

25 In 2007, MSI hired Jason Putorti to work on its logo design. Plaintiff alleges that
26 “immediately after Rob Coneybeer of Shasta first met with Aaron Patzer [CEO] of Mint Soft,”
27 Mr. Putorti “suddenly changed” the design to one identical to the claimed mark (*id.* at ¶ 38).
28 Innospan alleges that Shasta sent the business plans, without permission or authorization, to MSI

1 and that MSI subsequently used the plans “in connection with the creation of” their own logo (*id.*
2 at ¶¶ 63, 64).

3 In September 2010, plaintiff filed suit against defendants in the Santa Clara County
4 Superior Court, reciting seven claims: (1) conversion (against Intuit, MSI, and Shasta);
5 (2) infringement of unregistered mark (against Intuit and MSI); (3) common law misappropriation
6 and unfair competition (against Intuit and MSI); (4) state and common law misappropriation and
7 unfair competition (against Shasta); (5) state statutory unfair competition (against, Intuit, MSI and
8 Shasta); (6) declaratory relief (against Intuit and MSI); and (7) unjust enrichment (against MSI
9 and Shasta). Shasta, Intuit, and MSI removed the action to federal court and brought motions to
10 dismiss on all claims.

11 A December 2010 order granted motions to dismiss on two of the seven claims:
12 (1) conversion and (2) unjust enrichment. The order gave leave to amend the deficient claims
13 (Dkt. No. 73 at 7, 8). Plaintiff requested further clarification. The clarification order specified
14 that plaintiff’s claim for conversion was dismissed without leave to amend as a matter of law
15 (Dkt. No. 77 at 1). Plaintiff then moved for leave to file a second amended complaint.

16 At the hearing regarding plaintiff’s second amended complaint, plaintiff’s attorney
17 revealed that he had failed to bring all cognizable claims as a result of his misunderstanding of the
18 clarification order (Dkt. No. 98 at 11). Due to this confusion, the Court gave plaintiff one final
19 opportunity to plead its best case. A subsequent January 2011 order instructed plaintiff to “plead
20 factual support for the claims with specificity . . . Pleading generalized legal theories will not be
21 adequate. The burden is on plaintiff to demonstrate an ability to make viable pleadings, and this
22 will be plaintiff’s last chance to do so” (Dkt. No. 96 at 1, 2).

23 Pursuant thereto, plaintiff now moves for leave to file a third amended complaint, reciting
24 thirteen claims: (1) breach of implied contract (against Shasta); (2) conversion of business plans
25 (against Shasta, Intuit and MSI); (3) resulting trust (against Shasta); (4) negligence (against
26 Shasta); (5) infringement of an unregistered trademark (against Intuit and MSI); (6) copyright
27 infringement (against Intuit and MSI); (7) contributory Lanham Act infringement (against Aaron
28 Patzer, Jason Putorti and Tod Francis); (8) contributory copyright infringement (against Aaron

1 Patzer, Jason Putorti and Tod Francis); (9) common law misappropriation and unfair competition
2 (against Intuit and MSI); (10) aiding and abetting (against Shasta and Jason Putorti); (11)
3 violation of California Business and Professions Code § 17200; (12) declaratory relief (against
4 Intuit and MSI) and (13) unjust enrichment (against Shasta, Intuit and MSI).

5 **ANALYSIS**

6 **1. REQUEST FOR JUDICIAL NOTICE**

7 FRE 201 provides, “[a] judicially noticed fact must be one not subject to reasonable
8 dispute in that it is either (1) generally known within the territorial jurisdiction of the trial court or
9 (2) capable of accurate and ready determination by resort to sources whose accuracy cannot
10 reasonably be questioned.” A court may take judicial notice of documents “whose contents are
11 alleged in a complaint and whose authenticity no party questions, but which are not physically
12 attached to the [plaintiff’s] pleading.” *In re Silicon Graphics Inc. Sec. Litig.*, 183 F.3d 970, 986
13 (9th Cir. 1999) (citation omitted).

14 Defendant Shasta seeks judicial notice of Exhibit A, attached to the declaration of
15 Margaret Branick-Abilla (Dkt. No. 108-1). Exhibit A is a series of e-mails between Innospan
16 predecessor Mint Com and Shasta. Plaintiff cites these e-mails in its third amended complaint but
17 does not attach them to the complaint. Plaintiff does not oppose Shasta’s request or question the
18 authenticity of the exhibit. As Exhibit A was previously attached to the sworn declaration of
19 plaintiff’s founder, there is no question as to the authenticity of the document. Because the e-
20 mails’ contents are cited in the complaint and there is no question as to their authenticity, the
21 request for judicial notice is **GRANTED**. This order takes judicial notice of defendant Shasta’s
22 Exhibit A.

23 **2. AMENDED CLAIMS**

24 Plaintiff seeks to amend the previously dismissed claims for (1) conversion and (2) unjust
25 enrichment. FRCP 15(a)(2) states that a court should freely give leave to amend when justice so
26 requires. Leave to amend may be denied, however, if the proposed amendment is futile or would
27 be subject to dismissal. *Saul v. United States*, 928 F2d 829, 843 (9th Cir. 1991).

28

1 **A. Conversion of Business Plans (against Shasta, Intuit and MSI)**

2 Under California law, a claimant must plead three elements to state a claim for
3 conversion: (1) ownership or right to possession of personal property; (2) a defendant’s wrongful
4 interference with the claimant’s possession; and (3) damage to the claimant. *PCO, Inc. v.*
5 *Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP*, 150 Cal. App. 4th 384, 394 (Cal.
6 Ct. App. 2007). Additionally, a claimant in a conversion action must prove that it did not consent
7 to the defendant’s exercise of dominion over its property. *Bank of New York v. Fremont General*
8 *Corp.*, 523 F.3d 902, 914 (9th Cir. 2008).

9 A December 2010 order dismissed plaintiff’s conversion of trademark claim on the
10 grounds that the conversion tort does not extend to intangible intellectual property rights in
11 trademark (Dkt. No. 73 at 3). Instead, the order found that the Lanham Act is the “appropriate
12 legal avenue for trademark infringement, not conversion” (*id.* at 4). The order dismissed the
13 conversion claim. A subsequent order for clarification specified that the conversion claim was
14 dismissed *without leave to amend* (Dkt. No. 77 at 1).

15 Despite the clear and repeated rejection of this theory, plaintiff nevertheless proposes
16 another claim for conversion. Plaintiff now alleges that Shasta converted trade secrets consisting
17 of Mint Com’s “business plans, business planning documents, and product plans” all of which
18 were marked with the mint mark (Dkt. No. 99 at 7).

19 Defendants argue that “the proposed amendment still relies on the premise that trademarks
20 can be the subject of a conversion claim” (Intuit Opp. 9, 10). This order agrees. By changing the
21 object of the conversion from “trademark” to “business plans,” plaintiff seeks to anchor its
22 intangible trademark to physical documents. Plaintiff attempts to side-step the fact that intangible
23 intellectual property cannot be subject to conversion as a matter of law. Additionally, plaintiff
24 ignores the specific instructions of the clarification order that plaintiff itself requested.

25 Plaintiff insists that a claim for conversion of business plans is legally supported. In
26 *TeraRecon v. Fovia*, the plaintiff properly pled conversion of business plans containing trade
27 secrets. 2006 U.S. Dist. LEXIS 48833 at *26–28 (N.D. Cal. July 6, 2006) (Wilken, J.).
28 *TeraRecon* is not binding; further, it is distinguishable. In that decision, the plaintiff alleged that

1 the defendants converted its trade secrets including “business plans and other corporate planning
2 documents; and product plans.” *Id.* at *31. In the instant action, plaintiff alleges that defendants
3 converted its trade secrets, comprised of “business plans, business planning documents and
4 product plans” (Dkt. No. 99 at 7). Plaintiff does not, however, set forth any facts indicating that
5 the business plans contained trade secrets. Under California law:

6 “Trade secret” means information . . . that: (1) derives
7 independent economic value, actual or potential, from not
8 being generally known to the public or to other persons who
9 can obtain economic value from its disclosure or use; and
10 (2) is the subject of efforts that are reasonable under the
11 circumstances to maintain its secrecy.

12 CAL. CIV. CODE § 3426. Plaintiff does not, for instance, allege that the business plans derived
13 economic value from being generally unknown. Plaintiff’s reliance on *TeraRecon* is,
14 therefore, misplaced.

15 As the December 2010 order stated, courts within the Ninth Circuit have yet to find
16 “intangible intellectual property rights in a trademark” (Dkt. No. 73 at 3). Since *TeraRecon*,
17 “subsequent California cases addressing the application of the conversion tort to intangible
18 intellectual property have suggested that this theory should not be expanded to displace other,
19 more suitable law.” *Tethys Bioscience, Inc. v. Mintz, et al.*, No. 09-5115 CW, 2010 WL 2287474,
20 at *7 (N.D. Cal. June 4, 2010) (Wilken, J.) (citation omitted). Again, the more suitable law in the
21 instant action is the Lanham Act. The December 2010 order dismissed the conversion claim
22 without leave to amend because the deficiencies in the complaint could not possibly be cured by
23 amendment. So too here. Innospan’s motion for leave to amend this claim is **DENIED**.

24 **B. Unjust Enrichment (against Shasta and Jason Putorti)**

25 The basic elements of unjust enrichment are the “receipt of a benefit and [the] unjust
26 retention of the benefit at the expense of another.” *See Lectrodryer v. SeoulBank*, 77 Cal. App.
27 4th 723, 726 (Cal. Ct. App. 2000). The December 2010 order found that “a claim for unjust
28 enrichment is properly pled as a claim for a contract implied-in-law” (Dkt. No. 73 at 7). A
contract implied-in-law arises where “no actual agreement between the parties occurred, but
where a duty is imposed by equity to prevent injustice.” 66 Am. Jur. 2d Restitution and Implied
Contracts § 6 (2010). It “does not lie when an enforceable, binding agreement exists defining the

1 rights of the parties.” *Paracor Fin., Inc. v. Gen. Elec. Capital Corp.*, 96 F.3d 1151, 1167 (9th
2 Cir. 1996). In California, “restitution may be awarded in lieu of breach of contract damages when
3 the parties had an express contract, but it was procured by fraud or is unenforceable or ineffective
4 for some reason.” *McBride v. Boughton*, 123 Cal. App. 4th 379, 388 (Cal. Ct. App. 2004). Thus,
5 in order to properly state a claim for unjust enrichment, Innospan would have to either (1) allege
6 that the parties’ rights were not squarely set out in a binding agreement, or (2) allege that an
7 express contract was procured by fraud or was ineffective for some reason.

8 Innospan alleges that there was no binding written or oral agreement between plaintiff and
9 any of the defendants which would have squarely set forth the parties’ rights. In fact, “there were
10 no agreements between Shasta and MintCom/Innospan or between [MSI]/Intuit and
11 MintCom/Innospan” (Third Amd. Compl. ¶ 124). Defendants argue that plaintiff cannot cure the
12 claim by merely admitting that there was no contract (Intuit Opp. 11). Not so. Plaintiff alleges
13 that there were no agreements setting forth the rights of the parties; this is sufficient to plead a
14 contract implied-in-law. The Court cannot tell yet whether the actual circumstances would
15 warrant implying a duty in equity to prevent injury. As the action moves forward, we will see
16 whether the circumstances are compelling enough to compel the exercise of equity.

17 Defendant Shasta argues that since the misappropriation claim was dismissed as to Shasta,
18 the proposed amendment, which rests on the misappropriation claim, should be denied as to
19 Shasta (Dkt. No. 106 at 22, 23). The possibility of unjust enrichment relief, however, does not
20 rest on any one claim. Rather, at the end, the Court must consider whether the circumstances, in
21 their totality, warrant such relief. At least for purposes of preserving it as a mode of possible
22 relief, the motion to amend the unjust enrichment claim is **GRANTED**.

23 **3. NEW CLAIMS**

24 Plaintiff also moves to add new claims for (1) breach of implied contract; (2) resulting
25 trust; (3) negligence; (4) contributory trademark infringement; (5) copyright infringement;
26 (6) contributory copyright infringement; and (7) aiding and abetting.

27 Federal Rule of Civil Procedure 8(a)(2) requires only “a short and plain statement of the
28 claim showing that the pleader is entitled to relief.” A plaintiff’s obligation to provide the

1 grounds of his entitlement to relief requires more than “labels and conclusions, and a formulaic
2 recitation of the elements of a cause of action will not do Factual allegations must be enough
3 to raise a right to relief above the speculative level.” *Bell Atlantic Corp. v. Twombly*, 127 S. Ct.
4 1955, 1964–65 (2007) (citations omitted). A complaint must proffer “enough facts to state a
5 claim for relief that is plausible on its face.” *Id.* at 1986–87.

6 In the instant action, the pleading requirement is further heightened by the Court’s
7 January 2011 order requiring plaintiff to “plead factual support for the claims with specificity. . . .
8 Pleading generalized legal theories will not be adequate. The burden is on plaintiff to
9 demonstrate an ability to make viable pleadings, and this will be plaintiff’s last chance to do so”
10 (Dkt. No. 96 at 1, 2).

11 **A. Breach of Implied Contract (Against Shasta)**

12 Plaintiff would add a claim for an implied-in-fact contract to keep certain information
13 confidential. A contract implied-in-fact arises when the assent of the parties is manifested by
14 conduct rather than words. This claim fails. The only mention of confidentiality in the
15 January 31 e-mail appeared in the e-mail’s automated signature which read: “this e-mail message
16 is intended for the personal use of the recipient(s) named above . . . this message may
17 be . . . privileged and confidential . . . if you are not an intended recipient, you may not review,
18 copy or distribute.” This automated signature did not, however, create a binding contract to keep
19 the contents confidential. The purpose of such a signature is merely to advise the recipient that
20 the communication is potentially privileged. While an implied contract is created through
21 conduct rather than words, there must be intent to contract. There is no meeting of the minds or
22 intent to contract based on this boilerplate disclaimer. Thus, there can be no implied-in-fact
23 contract based on the January 31 e-mail.

24 Plaintiff alternatively argues that the implied-in-fact contract was created in the
25 February 2006 e-mail in which plaintiff requested: “I would like to ask you not to share our
26 information with anybody or any [venture capitalists].” By the time plaintiff made this request,
27 however, Coneybeer had already received the business plan from Mint Com’s counsel in the
28 January 31 e-mail. By plaintiff’s own admission, the February 2006 e-mail merely contained a

1 “condensed version” of the business plan that was already in Coneybeer’s possession. Plaintiff
2 cannot expect to retroactively attach a duty of confidentiality where none existed before.

3 It is trickery to send an unsolicited business plan to someone the sender thinks is a
4 potential business investor and then to foist confidentiality duties on that recipient without his
5 agreement in advance. If the sender wants to keep the information confidential, he must extract
6 the promise to do so *before* revealing the alleged crown jewels. Because Shasta’s receipt of the
7 initial business plan was not conditioned on any agreement of confidentiality, this order holds that
8 the subsequent e-mail did not create an implied-in-fact contract. This order rejects plaintiff’s
9 theory of retroactive bootstrapping.

10 Plaintiff argues that because the business plan itself was marked as “proprietary” and
11 “confidential,” defendant implicitly agreed to maintain confidentiality (Dkt. No. 114 at 3). A rote
12 stamp cannot, in and of itself, create an implied-in-fact contract. Thus, this argument too must
13 fail. Again, plaintiff should have extracted a promise up front rather than to trust the crown
14 jewels to chance and litigation.

15 The Ninth Circuit has made clear that there must be bargained-for consideration for an
16 implied contract to exist: “[t]he party claiming breach must show that, in return for the promise, it
17 conferred some benefit the other party was not already entitled to receive, or suffered some
18 prejudice it was not already bound to endure.” *Kremen v. Cohen*, 337 F.3d 1024, 1028 (9th
19 Cir. 2003) (citing CAL. CIV. CODE § 1605). Plaintiff argues that it conferred a benefit upon
20 Shasta when it sent the business plan and that Shasta was “never entitled to receive” this benefit
21 (Dkt. No. 114 at 3). Plaintiff alternatively argues that Mint Com “suffered some prejudice” when
22 it sent Shasta the second business plan. For the following reasons, these arguments fail.

23 *First*, plaintiff says that Shasta was not entitled to receive the business plan — but
24 plaintiff sent Shasta the business plan freely and voluntarily in hopes that it would inspire Shasta
25 to invest in Mint Com. In other words, plaintiff had no intent to confer a benefit on Shasta —
26 rather, plaintiff was soliciting Shasta. *Second*, plaintiff does not allege what exact benefit Shasta
27 allegedly derived from the business plan; it merely parrots the language of the *Kremen* decision.
28 *Third*, plaintiff vaguely alleges that Mint Com “spent resources” to send the second business plan.

1 This is simply not credible. Once again, Mint Com *voluntarily* chose to send the second business
2 plan. Plaintiff cannot now charge defendant for whatever expenses it incurred in doing so.
3 Plaintiff’s motion as to the breach of implied contract claim is **DENIED**.

4 **B. Resulting Trust (against Shasta)**

5 Plaintiff states a claim for a “resulting trust.” A resulting trust is generally not a claim,
6 rather it is “an equitable remedy designed to prevent unjust enrichment and to ensure that legal
7 formalities do not frustrate the original intent of the transacting parties.” 76 Am. Jur. 2d.
8 Trusts § 135 (2010). Some California courts, however, have allowed parties to bring a claim for a
9 resulting trust. *See, e.g., Fidelity Nat’l Title Ins. Co. v. Schroeder*, 179 Cal.App.4th 834, 850
10 (Cal. Ct. App. 2009).

11 Plaintiff states that, despite having voluntarily sent business plans to Shasta, it never
12 intended for Shasta to take “beneficial interests in any information or the business plans itself”
13 and that a resulting trust should be imposed in the interest of justice (Dkt. No. 99 at 7).
14 Defendants argue that in order to create a resulting trust, the parties must have the intent to create
15 a trust. True, “a resulting trust carries out and enforces the inferred intent of the parties.” *Lloyds*
16 *Bank California v. Wells Fargo Bank*, 187 Cal.App.3d 1038, 1042 (Cal. Ct. App. 1986). Plaintiff
17 does not allege that the parties had any intent to create a trust. Instead, plaintiff maintains that
18 lack of intent does not bar the imposition of a resulting trust under *Lloyds Bank*; plaintiff is
19 plainly mistaken. *See also Calistoga Civic Club v. City of Calistoga*, 143 Cal. App. 3d 111, 117
20 (Cal. Ct. App. 1983). The language of those decisions unequivocally supports the opposing view.
21 A trust implied without regard for the parties’ intent is properly pled as a constructive trust.
22 13 Witkin, Summary 10th Trusts, § 1, p. 566 (2005). Plaintiff’s resulting trust claim,
23 therefore, fails.

24 Again, before sending the supposed crown jewels for inspection, plaintiff should have
25 extracted a promise of confidentiality or trust up front, rather than merely teeing up a lawsuit.
26 The motion to add this claim is **DENIED**.

1 **C. Negligence (against Shasta)**

2 Presumably due to error on plaintiff’s part, paragraphs 70–74, which fall under the
3 subheading “negligence,” merely read “[deleted]” (Third Amd. Compl. ¶¶70–74). It is unclear
4 whether plaintiff meant to bring a negligence claim and accidentally deleted it or if plaintiff
5 considered bringing a negligence claim and decided against it. Plaintiff has failed to offer any
6 explanation for the deleted portions, despite having the opportunity to do so in the reply brief. As
7 such, leave to add the new claim for negligence is **DENIED**.

8 **D. Contributory Trademark Infringement (against Aaron Patzer, Jason Putorti,
9 and Tod Francis)**

10 Liability for trademark infringement and unfair competition may extend beyond those
11 who directly infringe, to include those contributory infringers who knowingly cooperate in
12 tortious activity. *See William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 530–31 (1924)
13 (applying common law concept of contributory infringement). If a manufacturer or distributor
14 intentionally induces another to infringe a trademark, or has reason to know is engaged in
15 trademark infringement, the manufacturer or distributor is contributorily responsible for any harm
16 done as result of the deceit. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

17 Plaintiff asserts that defendants Aaron Patzer, Jason Putorti and Tod Francis are
18 contributorily liable for trademark infringement. Defendant Tod Francis is the managing director
19 of Shasta. Defendant Aaron Patzer is the CEO of MSI. Jason Putorti is the former lead designer
20 at MSI. Plaintiff argues that each of these defendants is liable because “[A] corporate officer or
21 director is, in general, personally liable for all torts which he authorizes or directs or in which he
22 participates, notwithstanding that he acted as an agent of the corporation and not on his own
23 behalf.” *Comm. for Idaho’s High Desert, Inc. v. Yost*, 92 F.3d 814, 823 (9th Cir. 1996). Plaintiff
24 fails, however, to allege any facts demonstrating that defendants “authorized,” “directed,” or
25 “participated” in trademark infringement. Instead, plaintiff offers unsubstantiated accusations
26 and conclusory theories, none of which proves persuasive. For example, plaintiff asserts that “it
27 is more likely than not that Mr. Francis was the guru director” and “actively advised MSI in its
28 adoption and use of the infringing trademarks” (Dkt No. 99 at 10). While a court “must take all

1 of the factual allegations in the complaint as true,” it is “not bound to accept as true a legal
2 conclusion couched as a factual allegation.” *Ashcroft v. Iqbal*, 129 S.Ct. 1937, 1949–50 (2009).

3 Defendants aver that they had no knowledge of plaintiff’s trademark prior to the
4 independent creation of the MSI mint leaf logo. Plaintiff offers no facts to rebut defendants’
5 sworn declarations. Defendants also submit substantial exhibits detailing the creative process by
6 which MSI adopted the mint leaf logo. Particularly persuasive are the documents detailing the
7 development of MSI’s mark between January and September of 2007 (Dkt. No. 111). These
8 documents include e-mails, mock-ups and numerous iterations of the mint mark as well as
9 detailed discussions between defendants and other MSI employees collaborating to develop
10 the mark.

11 Tellingly, plaintiff offers no evidence to refute these documents. Instead, plaintiff
12 suggests that defendants have withheld or tampered with documents in the discovery process
13 (Dkt. No. 113 at 2). This order has considered the evidence plaintiff offers to support this
14 contention and found it to be mere speculation and supposition without proof. This order,
15 therefore, disregards plaintiff’s unfounded accusations, in favor of the proof that does exist.

16 Plaintiff’s reliance on *Louis Vuitton Malletier S.A. v. Akanoc Solutions* is misplaced
17 because the decision not binding; further, it is distinguishable. 2010 U.S. Dist.
18 LEXIS 85266 JW, at *50 (N.D. Cal. March 19, 2010) (Ware, J.). That decision dealt with the
19 question of whether a corporate officer could be held personally liable for tortious acts committed
20 in his professional capacity. The decision found that the corporate officer was liable because he
21 had “complete control,” “principal decision-making authority,” and “was clearly the ‘central
22 figure’ in the challenged corporate activity.” *Id.* at *51–52. Plaintiff offers no facts to support
23 the contention that Mr. Patzer, Mr. Francis or Mr. Putorti ever had this level of control or input.
24 Defendants’ mere involvement in the development of the mark is insufficient to establish
25 “complete control” or “principal decision-making authority.” Based on the foregoing, plaintiff’s
26 motion to add a claim for contributory trademark infringement is **DENIED**.

1 **E. Copyright Infringement (against Intuit and MSI)**

2 In order to state a claim for direct copyright infringement, plaintiff must satisfy two
3 requirements: “(1) [plaintiff] must show ownership of the allegedly infringed material and
4 (2) [plaintiff] must demonstrate that the alleged infringers violated at least one exclusive right
5 granted to copyright holders under 17 U.S.C. § 106.” *A & M Records, Inc. v. Napster,*
6 *Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001).

7 To demonstrate ownership, plaintiff offers evidence that its application for copyright
8 registration is pending with the U.S. Copyright Office (Dkt. No. 28-1 at 46). Defendant Intuit
9 argues that plaintiff has not demonstrated ownership but, by defendant’s own admission, this
10 prong is satisfied where plaintiff has completed an application to register its subject matter with
11 the copyright office. *See Cosmetic Ideas, Inc. v. IAC/InteractiveCorp, et al.*, 606 F.3d 612, 621
12 (9th Cir. 2010). Thus, plaintiff satisfies the first prong.

13 Plaintiff has also satisfied the second prong by alleging that defendant has violated its
14 right to reproduce the protected subject matter (Third Amd. Compl. ¶ 91). Defendant Intuit
15 argues that plaintiff has failed to allege specific facts supporting any copying of the work. In
16 order to demonstrate copying, a party must show: (1) that the works in question are substantially
17 similar in their protected elements and (2) that the infringing party had access to the copyrighted
18 work. *Rice v. Fox Broad. Co.*, 330 F.3d 1170, 1174 (9th Cir. 2003) (citation omitted). Plaintiff
19 does not merely allege that the disputed logos are “similar”; plaintiff alleges that they are
20 “identical” (Third Amd. Compl. ¶ 40). Plaintiff also alleges that defendant Intuit “had access” to
21 the claimed mark through Tod Francis of Shasta. Thus, the second prong is satisfied and plaintiff
22 has adequately stated a claim for copyright infringement.

23 Defendant Intuit seeks to undermine plaintiff’s claim by suggesting that the mint mark is
24 not copyrightable subject matter. Because that issue is currently pending before the U.S.
25 Copyright Office, this order does not consider whether plaintiff’s mark meets the criteria for
26 copyrightable subject matter. Plaintiff’s motion to add a new claim for copyright infringement
27 is **GRANTED**.

1 **F. Contributory Copyright Infringement (against Aaron Patzer, Jason Putorti,**
2 **and Tod Francis)**

3 “One infringes contributorily by intentionally inducing or encouraging direct
4 infringement.” *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005).
5 Our court of appeals has interpreted this to mean that “one contributorily infringes when he
6 (1) has knowledge of another’s infringement and (2) either (a) materially contributes to or
7 (b) induces that infringement. *Perfect 10, Inc., v. Visa Int’l Serv., Ass’n*, 494 F.3d 788, 795 (9th
8 Cir.2007). To state a claim for contributory infringement, plaintiff must allege facts showing that
9 defendant induced, caused, or materially contributed to the infringement. *Id.* at 796.

10 Plaintiff fails to allege facts demonstrating that defendants induced, caused, or materially
11 contributed to the alleged infringement. Instead, plaintiff merely asserts legal conclusions. For
12 example, plaintiff states that Aaron Patzer “intentionally induced and/or encouraged Mint Soft to
13 directly infringe” (Third Amd. Compl. ¶ 94). Plaintiff offers no support whatsoever for this
14 allegation. These conclusory allegations of law are insufficient to state a claim.

15 Plaintiff again alleges that Mr. Patzer, Mr. Francis and Mr. Putorti are personally liable as
16 corporate officers relying on *Louis Vuitton*, a decision that is not binding and has been
17 distinguished above. Because plaintiff fails to allege facts showing that defendants induced,
18 caused, or materially contributed to copyright infringement, the motion to add a claim for
19 contributory copyright infringement is **DENIED**.

20 **G. Aiding and Abetting (against Shasta and Jason Putorti)**

21 Aiding and abetting focuses on whether a defendant knowingly gives “substantial
22 assistance” to someone who performs wrongful conduct. 15A C.J.S. Conspiracy § 3 (2010).
23 Liability may be imposed on one who aids and abets the commission of an intentional tort if the
24 person (1) knows the other’s conduct constitutes a breach of duty and gives substantial assistance
25 or encouragement to the other to so act or (2) gives substantial assistance to the other in
26 accomplishing a tortious result and the person’s own conduct, separately considered, constitutes a
27 breach of duty to the third person. *Casey v. U.S. Bank Nat’l Ass’n*, 127 Cal. App. 4th 1138, 144
28 (Cal. Ct. App. 2005).

1 Plaintiff does not adequately state a claim for aiding and abetting. *First*, it is not clear
2 which of the thirteen claims defendants are alleged to have aided and abetted. *Second*, plaintiff
3 does not allege facts supporting the contention that Shasta and Mr. Putorti gave substantial
4 assistance or encouragement to MSI in their adoption of the mark. True, “aiding and abetting
5 liability under California law, as applied by the California state courts, requires a finding of actual
6 knowledge, [but] not specific intent.” *Marcelos v. Dominguez*, 2008 U.S. Dist. LEXIS 91155,
7 at *25 (N.D. Cal, July 18, 2008). Still, in *Marcelos*, the complaint “describe[d] in detail the
8 involvement” of the parties accused of wrongdoing. *Id.* at *26. By contrast, here the complaint
9 merely hints at misconduct. Plaintiff alleges that “immediately after Rob Coneybeer of Shasta
10 first met with Aaron Patzer [CEO] of Mint Soft,” Mr. Putorti “suddenly changed” the design to
11 one identical to the claimed mark (Third Amd. Compl. ¶ 38). This general inference of
12 wrongdoing is insufficient, particularly in light of this court’s admonishment to “plead factual
13 support for the claims with specificity” (Dkt. No. 96 at 1, 2). As to the aiding and abetting claim,
14 the motion is **DENIED**.

15 **4. OTHER CLAIMS**

16 Defendant Shasta argues that plaintiff’s claim for statutory unfair competition under
17 Section 17200 fails for reasons cited in their previous motion to dismiss. The Section 17200
18 claim survived the motion to dismiss and plaintiff has made no substantive amendments to this
19 claim. Thus, an opposition to a motion for leave to file a third amended complaint is not the
20 appropriate avenue for attacks on this claim. The same is true of the common law unfair
21 competition claim and the claim for declaratory relief, both of which survived the motion to
22 dismiss and have not been substantively altered in the third amended complaint. Defendant can
23 bring a summary judgment motion on these claims in the future.

24 **5. OTHER PROPOSED AMENDMENTS**


25 Defendant Intuit contends that plaintiff’s proposed third amended complaint contains
26 amendments that are not addressed or justified in plaintiff’s motion (Intuit Opp. 22). Intuit takes
27 issue specifically with two proposed changes.
28

1 to the prayer for relief. The motion is **GRANTED** as to the proposed claims for unjust enrichment
2 and copyright infringement, as well as the proposed factual amendment.

3 The following claims for relief remain in the case: (1) violation of Section 17200;
4 (2) unregistered trademark infringement; (3) declaratory relief; (4) unjust enrichment;
5 (5) copyright infringement; and (6) common law unfair competition and misappropriation. As
6 stated in the January 2011 order, plaintiff now has exhausted its opportunity to plead new claims
7 or amend existing claims. Plaintiff must file the third amended complaint in *strict conformity*
8 with this order — with no further embellishments — by **NOON ON FRIDAY, MARCH 18, 2011**. If
9 plaintiff attempts to slip unauthorized material in, as it did with the conversion claim discussed
10 above, then counsel will likely be sanctioned. Counsel should get cracking and complete
11 discovery on time. There will be no further motions to dismiss. Defendants must serve their
12 answers by **NOON ON MONDAY, MARCH 28, 2011**.

13
14 **IT IS SO ORDERED.**

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16 Dated: March 8, 2011

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19 WILLIAM ALSUP
20 UNITED STATES DISTRICT JUDGE
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