

1 IN THE UNITED STATES DISTRICT COURT
2
3 FOR THE NORTHERN DISTRICT OF CALIFORNIA

4 SLEEP SCIENCE PARTNERS, INC., a
5 California corporation,

6 Plaintiff,

7 v.

8 AVERY LIEBERMAN, an individual;
9 KATRINA WEBSTER, an individual;
10 DANIEL WEBSTER, an individual; and
11 SLEEPING WELL, LLC, a Vermont limited
12 liability corporation,

13 Defendants.
14 _____/

No. C 09-04200 CW

ORDER GRANTING IN
PART PLAINTIFF'S
MOTION FOR LEAVE
TO AMEND (Docket
No. 146)

15 Plaintiff Sleep Science Partners, Inc., moves for leave to
16 file a Third Amended Complaint. Defendants Katrina Webster, Daniel
17 Webster and Sleeping Well, LLC, oppose the motion. Having
18 considered all of the papers filed by the parties, the Court GRANTS
19 the motion in part.

20 BACKGROUND

21 Plaintiff filed the initial complaint in this action on
22 September 10, 2010, alleging, among others, causes of action for
23 trade dress infringement (first cause of action) and copyright
24 infringement (second cause of action) for Defendants' alleged
25 copying of Plaintiff's website. On May 10, 2010, the Court granted
26 Defendants' motion to dismiss both claims. On May 24, 2010,
27 Plaintiff filed the First Amended Complaint, re-alleging trade
28 dress infringement and on June 14, 2010, with the Court's leave,
filed the operative Second Amended Complaint (SAC) re-alleging the

1 copyright infringement claim in addition to the trade dress claim.

2 Plaintiff now moves for leave to file a Third Amended
3 Complaint (TAC) so that it may dismiss the second cause of action
4 without prejudice, pursuant to Federal Rule of Civil Procedure
5 15(a)(2). Defendants oppose the motion, contending that the Court
6 should exercise its discretion under Federal Rule of Civil
7 Procedure 41(a) to require that dismissal be with prejudice.

8 LEGAL STANDARD

9 A plaintiff wishing to eliminate a particular claim from the
10 action should amend the complaint under Rule 15(a) rather than move
11 to dismiss it under Rule 41(a). See Ethridge v. Harbor House
12 Restaurant, 861 F.2d 1389, 1392 (9th Cir. 1988). Nonetheless, the
13 Ninth Circuit has suggested that the differences between Rule 15(a)
14 and Rule 41(a) are immaterial. See Hells Canyon Pres. Council v.
15 U.S. Forest Serv., 403 F.3d 683, 689 (9th Cir. 2005) ("We agree
16 with the Federal Circuit, however, that . . . '[t]he fact that a
17 voluntary dismissal of a claim under Rule 41(a) is properly labeled
18 an amendment under Rule 15 is a technical, not a substantive,
19 distinction.'" (quoting Nilssen v. Motorola, Inc., 203 F.3d 782,
20 784 (Fed. Cir. 2000)). Thus, in many instances, procedures for and
21 effects of amendment under Rule 15(a) are the same as a voluntary
22 dismissal under Rule 41(a). For example, both rules (1) may be
23 invoked as of right before the service of an answer, (2) are
24 addressed to the discretion of the court where leave is required,
25 (3) require that leave be granted freely unless the defendant is
26 prejudiced, and (4) permit the court to deny leave or impose
27 conditions if leave is granted. See 8 Moore's Federal Practice

1 § 41.21[2] (Matthew Bender 3d ed.).

2 After a responsive pleading has been filed, a party may amend
3 the pleading only with leave of court or written consent of the
4 adverse party. Fed. R. Civ. P. 15(a). Leave to amend should be
5 granted freely when justice requires, absent a substantial reason
6 to deny it. See Ascon Properties, Inc. v. Mobile Oil Co., 866 F.2d
7 1149, 1160 (9th Cir. 1989). The Supreme Court has identified four
8 factors relevant to whether a motion for leave to amend should be
9 denied: undue delay, bad faith or dilatory motive, futility of
10 amendment, and prejudice to the opposing party. Foman v. Davis,
11 371 U.S. 178, 182 (1962). The Ninth Circuit holds that these
12 factors are not of equal weight; specifically, delay is "not alone
13 enough to support denial." Morongo Band of Mission Indians v.
14 Rose, 893 F.2d 1074, 1079 (9th Cir. 1990). Of the four Foman
15 factors, the final one, prejudice to the party opposing an
16 amendment, "carries the greatest weight." Eminence Capital, LLC v.
17 Aspeon, Inc., 316 F.3d 1048, 1052 (9th Cir. 2003). Legal prejudice
18 is defined as "prejudice to some legal interest, some legal claim,
19 some legal argument." Westlands Water Dist. v. United States, 100
20 F.3d 94, 97 (9th Cir. 1996).

21 Similarly, Rule 41 grants courts "broad discretion" in
22 determining whether to grant a motion to dismiss. See Russ v.
23 Standard Ins. Co., 120 F.3d 988, 989 (9th Cir. 1997). The court
24 may grant the motion "on terms that the court considers proper."
25 Fed. R. Civ. P. 41(a)(2). The court also has discretion to require
26 that any dismissal be with prejudice "where it would be inequitable
27 or prejudicial to defendant to allow plaintiff to refile the
28

1 action." Burnette v. Godshall, 828 F. Supp. 1439, 1443 (N.D. Cal.
2 1993), aff'd sub nom. Burnette v. Lockheed Missiles & Space Co., 72
3 F.3d 766 (9th Cir. 1995).

4 DISCUSSION

5 I. Dismissal

6 Defendants do not oppose dismissal of Plaintiff's second cause
7 of action, but they oppose dismissal without prejudice. Defendants
8 argue that allowing dismissal without prejudice would be
9 prejudicial and unfair because they would lose the opportunity to
10 be awarded "prevailing party" status on Plaintiff's Copyright Act
11 claim and recover attorneys' fees under 17 U.S.C. § 505.
12 Defendants also argue that avoiding this result is Plaintiff's true
13 motivation for seeking dismissal without prejudice, because any
14 reassertion of Plaintiff's Copyright Act claim would be barred by
15 the doctrine of res judicata.

16 Plaintiff does not address these contentions directly, but
17 contends that it is seeking dismissal to narrow the issues for
18 trial, and that Defendants have not met their burden of showing
19 prejudice.

20 A. Res Judicata

21 Defendants argue that dismissal with prejudice is appropriate
22 because Plaintiff's copyright claim will be barred in any event by
23 res judicata. "Res judicata bars a suit when 'a final judgment on
24 the merits of an action precludes the parties or their privies from
25 relitigating issues that were or could have been raised in that
26 action.'" ProShipLine Inc. v. Aspen Infrastructures Ltd., 609 F.3d
27 960, 967 (9th Cir. 2010) (quoting Allen v. McCurry, 449 U.S. 90, 94
28

1 (1980)). Res judicata applies "when there is '(1) an identity of
2 claims; (2) a final judgment on the merits; and (3) identity or
3 privity between parties.'" ProShipLine, 609 F.3d at 967 (quoting
4 Stewart v. U.S. Bancorp, 297 F.3d 953, 956 (9th Cir. 2002)).

5 To determine whether an identity of claims exists, a court
6 considers four factors: "(1) whether the two suits arise out of the
7 same transactional nucleus of facts; (2) whether rights or
8 interests established in the prior judgment would be destroyed or
9 impaired by prosecution of the second action; (3) whether the two
10 suits involve infringement of the same right; and (4) whether
11 substantially the same evidence is presented in the two actions."
12 ProShipLine, 609 F.3d at 967 (emphasis in original) (quoting Mpoyo
13 v. Litton Electro-Optical Sys., 430 F.3d 985, 987 (9th Cir. 2005)).
14 "Whether two suits arise out of the 'same transactional nucleus'
15 depends upon 'whether they are related to the same set of facts and
16 whether they could conveniently be tried together.'" ProShipLine,
17 609 F.3d at 967 (emphasis in original) (quoting W. Sys., Inc. v.
18 Ulloa, 958 F.2d 864, 871 (9th Cir. 1992)).

19 Defendants point out that Plaintiff will be barred from
20 reasserting its copyright claim in any subsequent litigation
21 because the claim is based on the same allegation as Plaintiff's
22 trade dress claim: that Defendants copied Plaintiff's website.
23 Plaintiff does not argue otherwise. Nor does Plaintiff indicate an
24 intention to reassert the copyright claim in future litigation.
25 Plaintiff's only explanation of its motion is that it seeks to
26 narrow the scope of the trial, expedite disposition of the case,
27 and discourage wasteful pre-trial activities. All of these goals
28

1 would be served by a dismissal without prejudice as well as a
2 dismissal with prejudice.

3 B. Prejudice

4 As noted above, Defendants argue that Plaintiff seeks
5 dismissal without prejudice to deny Defendants the opportunity to
6 seek attorneys' fees under the Copyright Act. Defendants argue
7 that they will lose this opportunity if dismissal is granted
8 without prejudice, and that the loss of this opportunity is
9 sufficiently prejudicial to require that dismissal be with
10 prejudice.

11 Defendants contend that they have a legal interest in being
12 granted prevailing party status because they have been forced to
13 litigate Plaintiff's copyright claim for nearly two years.
14 Plaintiff cites Serpa v. SBC Telecommunications, Inc., for the
15 proposition that "[t]he party opposing leave to amend bears the
16 burden of showing prejudice." 318 F. Supp. 2d. 865, 870 (N.D. Cal.
17 2004). However, Plaintiff ignores entirely Defendants' argument
18 regarding prejudice, and contends that Defendants have only
19 identified a single Foman factor, undue delay, that weighs against
20 granting its motion.

21 Plaintiff is correct that delay is "not alone enough to
22 support denial." Morongo, 893 F.2d at 1079. However, Plaintiff is
23 mistaken that Defendants' opposition relies solely on undue delay.

24 Plaintiff has failed to rebut Defendants' argument that they
25 will be prejudiced. Accordingly, any dismissal of Plaintiff's
26 Second Cause of Action must be with prejudice.

1 II. The Merits of Plaintiff's Copyright Claim

2 Both parties devote considerable space in their briefs to
3 arguing the merits of Plaintiff's copyright claim. Defendants
4 suggest that dismissal with prejudice is appropriate because
5 Plaintiff's claim is meritless and never should have been brought
6 in the first place. In its Reply, Plaintiff argues vigorously
7 against Defendants' legal and factual assertions regarding the
8 claim.

9 Notably, Defendants point out that Plaintiff has not employed
10 an expert to assist in proving its copyright claim. Plaintiff
11 argues that no expert would be required to challenge the assertions
12 of Defendants' expert, and that it is "prepared to challenge those
13 assertions" in opposing Defendants' motion for summary judgment and
14 "before trial."

15 It is not clear why Plaintiff would seek to dismiss a claim it
16 apparently believes is meritorious. Plaintiff may elect not to
17 file its TAC if it prefers to proceed on the merits of the claim.

18 III. Third Amended Complaint

19 Defendants also point out that Plaintiff's proposed TAC
20 contains allegations of misappropriation of copyrighted works,
21 justifies this Court's jurisdiction based in part on the Copyright
22 Act, reasserts claims against Defendant Avery Lieberman, who has
23 been dismissed from the case, and fails to attach any of the
24 exhibits to which the TAC refers. Plaintiff offers no explanation
25 for these apparent oversights. If Plaintiff chooses to file the
26 TAC, before doing so, Plaintiff shall strike all references to
27 parties and claims that have been dismissed, and attach all

1 exhibits to which the complaint refers.

2 CONCLUSION

3 For the foregoing reasons, Plaintiff's motion is GRANTED in
4 part. (Docket No. 146.) The motion is granted on the conditions
5 that (1) dismissal of Plaintiff's copyright claim will be with
6 prejudice, and (2) Plaintiff will strike all references to
7 dismissed parties and claims and include all exhibits to which the
8 complaint refers. If Plaintiff accepts these conditions, Plaintiff
9 may file the Third Amended Complaint within three days of the date
10 of this order. Defendants need not file a new answer and may not
11 file a motion to dismiss. If Plaintiff elects not to file the
12 Third Amended Complaint, the Second Amended Complaint will remain
13 the operative pleading.

14 IT IS SO ORDERED.

15
16 Dated: July 7, 2011



CLAUDIA WILKEN
United States District Judge