UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ERICKSON PRODUCTIONS INC.,

Plaintiff,

v.

WELBROOK SENIOR LIVING, LLC, et al.,

Defendants.

Case No. 16-cv-06612-PJH

ORDER GRANTING LEAVE TO FILE SECOND AMENDED ANSWER

Re: Dkt. No. 38

Before the court is defendants' motion for leave to file a second amended answer. Dkt. 38. The matter is fully briefed and suitable for decision without oral argument. Accordingly, the hearing set for April 26, 2017 is VACATED. Having read the parties' papers and carefully considered their arguments and the relevant legal authority, and good cause appearing, the court GRANTS the motion for the following reasons.

BACKGROUND

A. Procedural History

On November 15, 2016, plaintiff Erickson Productions, Inc. ("Erickson") filed suit against Welbrook Senior Living, LLC, CMD Real Estate Group, LLC, and Health Care Building Investment, LLC (collectively "Welbrook" or "defendants"). Dkt. 1. The sole claim was for copyright infringement regarding a photograph owned by Erickson that was allegedly used without permission on Welbrook's website. Compl. ¶¶ 3–11. Defendants answered and filed a third-party complaint against Upfront SEO ("Upfront"), alleging that Upfront sold the photo in question to Welbrook, and asserting claims for breach of warranty and the implied duty of good faith and fair dealing against Upfront on that basis. Dkt. 21 ¶¶ 59–88. Erickson has filed a separate third-party complaint against Upfront. Dkt. 30.

Welbrook's first answer was filed on January 24, 2017. Dkt. 20. That same day, Welbrook filed an amended answer. Dkt. 21. Paragraph 41 of the first amended answer

alleges that the copyright claim was "barred in whole or in part by authorization, acquiescence, release, laches, waiver, estoppel, unclean hands and/or implied license." Dkt. 21 ¶ 41. Paragraph 44 asserts a "copyright misuse" defense. Id. ¶ 44.

Based on these allegedly "baseless" defenses, Erickson served (but never filed) a motion for Rule 11 sanctions against Welbrook. Dkt. 42, McCulloch Decl. Ex. B at 3–4. In response, Welbrook purported to file a "first amended answer" on March 8. Dkt. 35. The answer at Docket 35[1] removes the "laches" paragraph and a lack-of-originality defense, combines the "copyright misuse" and "unclean hands" defenses, and adds more factual detail to the copyright misuse paragraph. Compare Dkt. 21 ¶¶ 41–44 with Dkt. 35 ¶¶ 41–43.

The answer at Docket 35 was improperly filed because Welbrook did not seek leave of the court or the consent of the opposing parties. See Fed. R. Civ. P. 15(a). On March 15, Welbrook filed a motion for leave to file a second amended answer ("SAA"). Dkt. 36. The SAA attached to that motion, however, appears to be the same as the operative first amended answer. Compare Dkt. 21 with Docket 36-1.

On March 22, Welbrook withdrew its initial motion and the answer at Docket 35, and filed a "corrected" motion for leave to file an SAA. Dkt. 38. Again, however, the proposed SAA actually attached to the motion, Docket 38-1, appears to be the same as the operative first amended answer. Compare Dkt. 21 with Dkt. 38-1. This motion is now fully briefed and pending before the court.

DISCUSSION

A. Legal Standard

Under Federal Rule of Civil Procedure 15, a party may amend its pleading as matter of course within 21 days. Fed. R. Civ. P. 15(a)(1). Thereafter, amendment requires either the opposing party's written consent or the court's leave. Fed. R. Civ. P. 15(a)(2).

[1] To avoid confusion, the court will refer to Welbrook's various answers by docket number.

However, courts should "freely give leave when justice so requires." Id. In deciding whether to grant a motion for leave to amend, the court considers bad faith, undue delay, prejudice to the opposing party, repeated failure to cure deficiencies by pervious amendment, futility of amendment, and whether the moving party has previously amended the pleading. In re W. States Wholesale Natural Gas Antitrust Litig., 715 F.3d 716, 738 (9th Cir. 2013); Eminence Capital, LLC v. Aspeon, Inc., 316 F.3d 1048, 1051 (9th Cir. 2003). Of these factors, the consideration of prejudice to the opposing party carries the greatest weight. Eminence Capital, 316 F.3d at 1052. "The party opposing amendment bears the burden of showing prejudice." See DCD Programs, Ltd. v. Leighton, 833 F.2d 183, 187 (9th Cir.1987).

B. Analysis

The court must first address the issue of which answer Welbrook seeks leave to file. The SAA attached to the motion appears to be identical to the operative first amended answer. Obviously, the court will not grant leave to simply re-file the same pleading.

Presuming, instead, that Welbrook seeks leave to file Docket 35, its motion is GRANTED. All this proposed SAA does is remove a few affirmative defenses and add more factual detail on the "copyright misuse" defense. Leave to amend is to be granted liberally, especially when a case is, like this one, in its early stages. There is no undue delay or bad faith. Erickson does not even attempt to meet its burden of showing prejudice.

The sole basis upon which Erickson opposes leave to amend is futility. The court is not generally inclined to deny leave on the basis on futility; arguments on the sufficiency of the pleading are better addressed in a motion to dismiss or strike. In any event, Erickson does not even attack the sufficiency of the pleading. Instead, Erickson seeks summary adjudication of the factual merits of the defense based on a supporting declaration. This is grossly premature. Copyright misuse is an equitable defense to infringement that "forbids the use of the [copyright] to secure an exclusive right or limited

monopoly not granted by the [copyright] and which is contrary to public policy to grant." Altera Corp. v. Clear Logic, Inc., 424 F.3d 1079, 1090 (9th Cir. 2005) (quotation omitted). Welbrook is entitled to plead this defense, and the court cannot make a factual determination on its merits at this stage of the litigation.

CONCLUSION

For the foregoing reasons, the motion for leave to file a second amended answer is GRANTED.

The court further observes that this motions practice was entirely unnecessary. The parties both share some blame for this. Erickson's threatening of Rule 11 sanctions on the basis of the defenses in the original answer was needlessly aggressive. Welbrook's filing of multiple answers was confusing, and its reply brief failed to clarify the record even after the error was pointed out.

This matter was a simple and routine issue that should have been resolved without the involvement of the court. The parties should have met and conferred, and reached a stipulation to permit the filing of an amended answer. Indeed, it appears to the court that this entire lawsuit suffers from the same problem. This is a factually straightforward case of minor copyright infringement that has become a contentious federal litigation for no good reason that the court is able to discern. The parties are reminded that Rule 1 requires that rules of procedure "should be . . . employed by the court and the parties to secure the just, speedy, and inexpensive determination of every action and proceeding." Fed. R. Civ. P. 1. The court will not tolerate litigation tactics which reflect an obvious intent to disregard this requirement.

IT IS SO ORDERED.

Dated: April 7, 2017

PHYLLIS J. HAMILTON
United States District Judge