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* E-filed 12/12/07 *

NOT FOR CITATION
IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

COUPONS, INC.,

Plaintiff,

v.

JOHN STOTTMIRE,

Defendant.

Case No. CV 07-03457 HRL

**ORDER ON DEFENDANT'S (1) MOTION
TO STRIKE; (2) MOTION FOR
SANCTIONS; (3) MOTION TO DISMISS;
AND (4) MOTION FOR SUMMARY
JUDGMENT**

Re: Docket Nos. 12, 15, and 28

On behalf of its clients (usually consumer products companies), Coupons, Inc. ("CI") offers online, printable coupons to consumers. Consumers may print the coupons (either from the client's or CI's website) once they install Plaintiff's software. Although the details of the installation are unclear, it appears that, when the coupon printing software is downloaded, Plaintiff quietly places a registry key file on the user's personal computer. This registry key essentially acts as a "counter," limiting the number of times each coupon can be printed on that computer (typically, two prints per coupon).

Plaintiff generally alleges that Defendant (1) discovered how to remove the "counter," (2) created a computer program which automates its removal, and (3) provided the program to others. CI says that this program permitted users "to print an unlimited^[1] number of coupons."

¹ Plaintiff's counsel clarified at the hearing that it would have been more accurate to allege that Defendant's program enabled a user to exceed the counter's limitation, up to the ceiling imposed by CI or its client for distribution of a particular coupon.

1 (First Amended Complaint ("FAC") ¶ 20). Because Plaintiff claims that its coupons are subject
2 to copyright protection, it alleges that Defendant's actions violate §1201(a) and §1201(b) of the
3 Digital Millennium Copyright Act (DMCA)² and related state law claims.

4 *Pro se* Defendant John Stottlemire now moves to dismiss the complaint or, in the
5 alternative, for summary judgment. He also moves to strike Plaintiff's opposition to the motion
6 to dismiss and for sanctions.

7
8 **I. Defendant's Motion to Strike**

9 Wilson, Sonsini, Goodrich & Rosati ("Wilson Sonsini") filed this lawsuit on behalf of
10 CI. Thereafter, the law firm of Farella Braun & Mastel LLP ("Farella Braun") filed a notice of
11 substitution of counsel. The opposition to Defendant's Motion to Dismiss was filed and signed
12 by Farella Braun. Defendant moves to strike this opposition, arguing that it was not signed by
13 an attorney of record as required by FED. R. CIV. P. 11(a).

14 Defendant is correct that the notice of substitution, under the court's local rules, did not
15 accomplish an effective change in counsel. To substitute one firm for another requires an order
16 of the court. General Order 45, Electronic Case Filing IV(C). Plaintiff did not request an order
17 granting the substitution, nor was one issued.³

18 Stottlemire's objection to Farella Braun's entry was out of concern that Wilson Sonsini
19 would not be subject to this court's order if it decided to grant Defendant's sanctions motion.
20 But, Wilson Sonsini did appear and respond to the sanctions motion. Since Defendant suffered
21 no harm as a result of the technically improper substitution, the motion to strike is DENIED.
22 The court will treat the notice of substitution as a notice of appearance.

23
24 ² These provisions enacted three new prohibitions on anti-circumvention. *See* 17
U.S.C. §§ 1201(a)(1); 1201(a)(2); and 1201(b).

25 The first two provisions target circumvention of technological measures that
26 effectively control *access* to a copyrighted work; the third targets circumvention of
27 technological measures that impose limitations on the *use* of protected works.
U.S. v. Elcom Ltd., 203 F.Supp.2d 1111, 1119-20 (N.D.Cal. 2002) (emphasis in original).

28 ³ Although, if Farella Braun had noticed its appearance and *then* Wilson Sonsini
noticed its withdrawal, CI could have achieved the desired result without an order. *Id.*

1 **II. Defendant's Motion for Sanctions**

2 Defendant seeks sanctions against Plaintiff and its counsel “in light of their submission
3 and filing of a first amended complaint that is based on misleading and false allegations.” (Mot.
4 for Sanctions, pg. 4). Stottlemire's motion is based on perceived violations of FED. R. CIV. P.
5 Rule 11(b). That rule requires an attorney to certify that the pleading filed:

6 (1) [...] is not being presented for any improper purpose, such as to harass, cause
7 unnecessary delay, or needlessly increase the cost of litigation;

8 (2) [includes] claims, defenses, and other legal contentions [...] warranted by existing
9 law or by a nonfrivolous argument for extending, modifying, or reversing existing law
10 or for establishing new law; [and]

11 (3) [includes] the factual contentions [which] have evidentiary support or, if specifically
12 so identified, will likely have evidentiary support after a reasonable opportunity for
13 further investigation or discovery [...]

14 To begin, Defendant says that the complaint was filed for an improper purpose, i.e., to
15 invoke fear in Defendant and his family. However, because CI's claims against Defendant have,
16 at the very least, superficial merit, Plaintiff had a right to bring this lawsuit. That the complaint
17 might have the secondary effect of making the Defendant fearful is an insufficient basis for
18 establishing an improper purpose.

19 Addressing Stottlemire's arguments under the second prong of the rule, the legal theories
20 relied upon by CI, although different from Defendant's interpretation, are reasonably warranted
21 under the current state of the law. Plaintiff's legal claims are not frivolous under the DMCA,
22 where the law is relatively new and to some extent unsettled, especially in this circuit.

23 Finally, Stottlemire argues that CI made false and misleading claims with respect to its
24 software's ability to effectively protect its coupons from copyright infringement. In response,
25 Wilson Sonsini describes the investigation it undertook with respect to the software in question.
26 For example, the attorneys declare that they installed CI's software on their own computers to
27 understand how the technology works. The court is satisfied that Wilson Sonsini's investigation
28 into CI's allegations, conducted prior to filing the complaint, meets the threshold requirement of
"an inquiry reasonable under the circumstances."

Accordingly, Defendant's sanctions motion is DENIED.

1 **III. Defendant's Motion to Dismiss**

2 A motion to dismiss under FED. R. CIV. P. 12(b)(6) tests the legal sufficiency of the
3 claims alleged in the complaint. *See Parks Sch. of Business v. Symington*, 51 F.3d 1480, 1484
4 (9th Cir. 1995). Dismissal under Rule 12(b)(6) may be based on either the “lack of a cognizable
5 legal theory” or on “the absence of sufficient facts alleged under a cognizable legal theory.”
6 *Balistreri v. Pacifica Police Dept.*, 901 F.2d 696, 699 (9th Cir. 1990). Hence, the issue here is
7 not whether the claimant will ultimately prevail, but whether the claimant is entitled to offer
8 evidence to support the claims asserted. *Gilligan v. Jamco Development Corp.*, 108 F.3d 246,
9 249 (9th Cir. 1997). In considering such a motion, all material factual allegations should be
10 accepted as true and construed “in the light most favorable to the nonmoving party.” *Cahill v.*
11 *Liberty Mutual Ins. Co.*, 80 F.3d 336, 337-38 (9th Cir. 1996).

12 The Federal Rules require only “a short and plain statement of the claim showing that
13 the pleader is entitled to relief.” FED. R. CIV. P. 8(a)(2). This was recently interpreted to mean
14 that the “[f]actual allegations must be enough to raise a right to relief above the speculative
15 level.” *Bell Atlantic Corp. v. Twombly*, --- U.S. ----, ---- - ----, 127 S.Ct. 1955, 1964-65 (2007)
16 (citations omitted).⁴ Therefore, the complaint must contain more than mere conclusions of law.
17 *Epstein v. Washington Energy Co.*, 83 F.3d 1136, 1140 (9th Cir. 1996). Nevertheless,
18 “heightened fact pleading of specifics” is not required to survive a motion to dismiss. *Bell*
19 *Atlantic Corp.*, 127 S.Ct. at 1973-74. Rather, the complaint need only “give the defendant fair
20 notice of what the ... claim is and the grounds upon which it rests.” *Erickson v. Pardus*, --- U.S.
21 ----, ----, 127 S.Ct. 2197, 2200 (2007) (citations omitted).

22 Defendant argues that under the *Bell Atlantic Corp. v. Twombly* standard, Plaintiff's
23 complaint must be dismissed. Specifically, Stottlemire points to the following allegations as
24 deficient: 1) the ability of Plaintiff's software or technical measures to prevent infringement or
25 third party access; 2) that the coupons are protected by a copyright; 3) that infringement

26 _____
27 ⁴ This decision “retires” the oft-quoted language from *Conley v. Gibson*, 355 U.S. 41,
28 45-46 (1957) that “a complaint should not be dismissed for failure to state a claim unless it
appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which
would entitle him to relief.” *See, Bell Atlantic Corp.*, 127 S.Ct. at 1968-69.

1 actually occurred as a result of Defendant's actions; and 4) that Defendant's actions constituted
2 circumvention or trafficking (because the "unauthorized" element is lacking).

3 Addressing the first argument, Stottlemire says that the technological measure used by
4 Plaintiff is ineffective at preventing infringement because the measure limits computers, not
5 individuals.⁵ As such, he claims that the allegations in the complaint are insufficient to assert a
6 violation of the DMCA. CI responds that the complaint describes the "security measures"
7 utilized by Plaintiff and the means by which those measures apparently prevent consumers from
8 printing more than one or two copies of each coupon. *See, e.g.*, FAC ¶¶ 13, 15. The complaint
9 sufficiently alleges the existence of a technological measure to establish a claim under the
10 DMCA. The Motion to Dismiss, on this basis, is DENIED.

11 Defendant's second argument - that the allegations pertaining to whether the coupons are
12 protected by copyright are conclusory - is similarly rejected. CI alleged that its coupons were
13 works "subject to copyright protection under Title 17 of the United States Code." FAC ¶ 11.
14 Although more facts would be helpful, they are not required under the legal standard. This
15 claim is sufficient to put Defendant on fair notice of the claims against him. *See Erickson*, 127
16 S.Ct. at 2200. Thus, the motion is DENIED as to the second argument.

17 As for Stottlemire's third claim, the court agrees that the complaint does not specifically
18 allege that infringement occurred as a result of Defendant's actions. However, it does not
19 appear that the DMCA requires actual infringement. The statute only requires evidence that the
20 technology has been circumvented (for a non-exempted purpose) or that the defendant
21 trafficked in technology used to circumvent. *Universal City Studios, Inc. v. Reimerdes* supports
22 this interpretation. 111 F.Supp.2d 294 (S.D.N.Y. 2000). The district court in that case found
23 irrelevant Plaintiff's admission that it had no direct evidence of "a specific occasion on which
24 any person [used the defendant's circumvention program] and transmitted it over the Internet."
25 *Id.* at 314-15. The court went on to analogize,

26 Even if no one uses the combination to open the vault, its mere publication has the effect
27 of defeating the bank's security system, forcing the bank to reprogram the lock.

28 ⁵ Plaintiff's counsel acknowledged that a person could utilize several different
computers in order to print more than the limit imposed by the registry key "counter."

1 Development and implementation of a new DVD copy protection system, however, is
2 far more difficult and costly than reprogramming a combination lock[.] *Id.*

3 Accordingly, the Motion to Dismiss, as to this point, is DENIED.

4 Defendant's fourth argument - that Plaintiff has not sufficiently alleged that Stottlemire's
5 conduct was "unauthorized" as required to establish circumvention or trafficking - raises a
6 closer question. The issue of authorization, and how copyright restrictions are conveyed to the
7 user, has been addressed in cases under the DMCA. For example, the Federal Circuit indicated
8 that the notice concerning authorization provided to users of a product is a relevant
9 consideration. *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 381 F.3d 1178, 1204
10 (Fed. Cir. 2004).⁶ The plaintiff in that case, a garage door opener manufacturer, did not place
11 "explicit restrictions on the types of transmitter that the homeowner may use with its system at
12 the time of purchase." As a result, the court explained, "Chamberlain's customers therefore
13 assume that they enjoy all of the rights associated with the use of their [garage door openers]
14 and any software embedded therein that the copyright laws and other laws of commerce
15 provide." *Chamberlain*, 381 F.3d at 1183.⁷

16 Although CI points to paragraphs alleging that access was unauthorized, *see* FAC ¶¶ 12,
17 15, and 27, it has done so in a conclusory fashion. *See Epstein*, 83 F.3d at 1140. To declare
18 Stottlemire's actions "unauthorized" without further explanation is insufficient. The complaint
19 does not allege which actions by Defendant were unauthorized, nor does it explain how a
20 consumer would come to know particular actions were or were not permitted.

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23 ⁶ Also see, text of §1201(a)(3) which defines the terms used in section (a):
24 (A) to "circumvent a technological measure" means to descramble a
25 scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass,
26 remove, deactivate, or impair a technological measure, **without the authority
27 of the copyright owner**; and
28 (B) a technological measure "effectively controls access to a work" if [it], in
the ordinary course of its operation, requires the application of information ...
with the authority of the copyright owner, to gain access to the work.
(emphasis added).

⁷ It remains to be seen whether this case more closely aligns with *Chamberlain*, or
with a case like *Reimerdes*.

1 Accordingly, on this final argument, the motion to dismiss is GRANTED with leave to
2 amend. *Doe v. United States*, 58 F.3d 494, 497 (9th Cir. 1995) (leave to amend should be
3 granted unless the court "determines that the pleading could not possibly be cured by the
4 allegation of other facts.") (citations omitted); *also see* FED. R. CIV. P. 15(a). Plaintiff shall
5 have until **January 2, 2008** to file an amended complaint. Should CI decide not to amend, all
6 claims that rely on authorization as an element shall be dismissed.

7
8 **IV. Defendant's Motion for Summary Judgment**

9 A motion for summary judgment should be granted if there is no genuine issue of
10 material fact and the moving party is entitled to judgment as a matter of law. FED. R. CIV. P.
11 56(c)); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). Stottlemire argues that
12 CI has failed to establish a *prima facie* case on the DMCA violations. Defendant further
13 contends that without being able to establish DMCA violations, the related state law claims
14 necessarily fail, too.

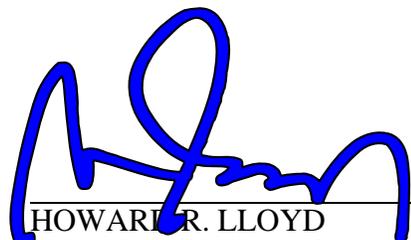
15 Given the meager record before the court and the many factual and legal disputes
16 between the parties, Defendant's Motion for Summary Judgment is DENIED as premature.

17
18 **CONCLUSION**

19 In conclusion, Defendant's Motion to Strike the Opposition, his Motion for Sanctions
20 and his Motion for Summary Judgment are DENIED. Defendant's Motion to Dismiss with
21 respect to the authorization element of the claims alleged is GRANTED, but with leave to
22 amend. Plaintiff shall have until **January 2, 2008** to file an amended complaint. Defendant's
23 Motion to Dismiss is otherwise DENIED.

24 **IT IS SO ORDERED.**

25
26 Dated: 12/12/07

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28 _____
HOWARD R. LLOYD
UNITED STATES MAGISTRATE JUDGE

