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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

12
13 KNOWLEDGEPLEX., INC,
14
15 Plaintiff,
16 v.
17 PLACEBASE, INC., a/k/a METONYMY, INC.
18 Defendants.

Case Number C 08-4267 JF (RS)
ORDER¹ DENYING MOTION TO DISMISS

19
20 Plaintiff KnowledgePlex, Inc. (“Plaintiff”) alleges that Defendant Placebase
21 (“Defendant”) breached a contract, misappropriated trade secrets, and infringed certain
22 copyrights by using Plaintiff’s proprietary computer code for a web-based geospatial database to
23 build its own rival system. Plaintiff characterizes its source code, called DataPlace, as “the
24 preeminent national geospatial data information system for the affordable housing community,”
25 enabling users to gather housing, demographic, and other community data for specific geographic
26 areas they select. Plaintiff alleges that the DataPlace project was an undertaking of
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28 ¹ This disposition is not designated for publication in the official reports.

1 unprecedented complexity and sophistication in its field. Defendant was engaged as a
2 subcontractor in developing DataPlace, and allegedly was paid \$3.4 million over the course of
3 three years for its role in the development process. When Defendant produced and began
4 marketing what Plaintiff alleges is a “virtually identical system” that Defendant developed in
5 considerably less time and with considerably fewer resources, Plaintiff “investigated” the matter,
6 determined that Defendant had misused the proprietary DataPlace code in creating its rival
7 system, and filed suit.

8 I. BACKGROUND

9 In 2000, the Fannie Mae Foundation launched the KnowledgePlex initiative (“KPI”)² to
10 support practitioners and activists involved in promoting affordable housing and community
11 development. Among other activities, KPI allegedly gathered and distributed news and research
12 tools to support efforts to transform disadvantaged communities and neighborhoods. To meet the
13 needs of the affordable housing community more effectively, KPI allegedly began developing a
14 national data-sharing system with the goal of allowing users to access and manipulate large
15 quantities of geographic and demographic data relevant to affordable housing. In 2004, KPI
16 requested proposals for the development of the required software, which ultimately became
17 DataPlace.

18 Given the unprecedented nature of the undertaking and the correspondingly large
19 investment of time and money required, KPI sought to ensure that it would have complete
20 ownership rights to the resulting computer code. The request for proposals included the
21 following notice:

22 1.4 IMPORTANT NOTICES

23 1.4.1 Ownership. All work produced or created by the successful bidder, including
24 but not limited to, the designing, developing, implementing, and maintaining of
25 the [community data system], whether individually by the successful bidder (or its
employees, agents, or subcontractors), or by [KPI], or jointly, shall belong solely
and exclusively to [KPI], which will possess all ownership rights in and to such
work and any intellectual property rights associated therewith . . .

26
27 ² Plaintiff alleges that in 2004, the Fannie Mae Foundation transformed the
28 KnowledgePlex initiative into KnowledgePlex, Inc. Plaintiff claims to be the successor-in-
interest of the Fannie Mae Foundation. Complaint ¶ 8.

1 In response, a developer known as Vinq, LLC submitted a proposal. Vinq identified Defendant
2 as its subcontractor and allegedly agreed to assign the rights to all resulting intellectual property
3 to KPI. Plaintiff alleges that Defendant never had “created a national mapping program of the
4 scale and scope KPI envisioned,” and that Defendant’s existing technologies “could serve neither
5 as a shortcut or even a starting point for development” of DataPlace, principally because of their
6 limited geographical scope and inability to handle high volumes of user traffic. Pl.’s Opp. at 4:6-
7 13.

8 In July 2004, KPI and Vinq executed a contract for the DataPlace work (the “Prime
9 Contract”). The Prime Contract required that all work on the project, whether produced by
10 KPI, Vinq, or a subcontractor, be owned by KPI:

11 Exclusive Property Rights of [KPI]. All work produced or created pursuant to this
12 Agreement, whether individually by Contractor (or its employees, agents, or
13 subcontractors), or by [KPI], or jointly (“Work”), shall belong solely and
14 exclusively to [KPI], which will possess all ownership rights in and to such Work
15 and any Intellectual Property Rights associated therewith, including without
16 limitation, patent, trademark, copyright and trade secret rights. . . .

17 Prime Contract, Moorhead Decl., Ex. 1A, § 6(a). The Prime Contract also assigned all rights in
18 the work to KPI, *id.* § 6(c), and denied Vinq the right to use the intellectual property created
19 under the contract, *id.* § 6(e). The Prime Contract required that each deliverable furnished as part
20 of the project be originally developed for KPI and not be derived from any preexisting
21 proprietary material:

22 Originality. Except for Third Party Code incorporated into the Work described in Section
23 6(f) above, each deliverable furnished by Contractor hereunder shall be originally
24 developed for [KPI] and shall not be derived from any copyrighted or proprietary
25 material, or otherwise subject to or infringing upon, any proprietary interest or work of
26 any third party.

27 Prime Contract, §8(c).

28 After the Prime Contract was executed, Defendant executed a subcontract with Vinq (the
“Subcontract”). Defendant agreed to be bound by the “applicable provisions” of the Prime
Contract. The Subcontract stated:

The Prime Contract. This Agreement is subject to those terms of the Prime
Contract, attached hereto as Exhibit A, applicable to [Placebase] or the Services
(as defined below), which terms are incorporated by reference as if fully set forth
herein. All applicable provisions contained in the Prime Contract shall be binding

1 upon [Placebase], and [Placebase] hereby agrees to comply with such provisions
2 [in] the Prime Contract.

3 Subcontract, Moorhead Decl., Ex. 1, § 2. The Subcontract required that any deliverables
4 produced by Defendant would be owned exclusively by KPI:

5 Exclusive Property Rights of [KPI]. All Deliverables produced or created pursuant
6 to this Agreement, whether individually or by [Placebase] (or its employees,
7 agents, or its permitted subcontractors), or jointly with one or both of [KPI] or
8 Vinq (“Work”), shall belong solely and exclusively to [KPI], which will possess
9 all ownership rights in and to such Work and any intellectual property rights
10 associated therewith, including without limitation, patent, trademark, copyright
11 and trade secret rights. [Placebase] agrees that it shall include and enforce such
12 provisions in all permitted subcontracts to ensure the exclusivity of [KPI’s]
13 ownership as set forth herein. [KPI], its successors, and assigns, shall have the
14 right to obtain and to hold in its own name all patents, copyrights, registrations,
15 and such other intellectual property rights and protection as may be appropriate.

16 Subcontract, § 14(b). The Subcontract also required that Defendant’s work be developed
17 originally for the DataPlace project. Thus:

18 [Placebase’s] Intellectual Property Warranties. Except to the extent of any
19 Preexisting Technology of Vinq or [KPI] that may be incorporated into a
20 Deliverable, [Placebase] warrants that each Deliverable has been originally
21 developed for Vinq and [KPI] and was not derived from any copyrighted or
22 property [sic] material of any third party. [Placebase] warrants that it has all
23 intellectual property rights necessary to perform the Services and develop and
24 license the Deliverables as provided in this Agreement. [Placebase] warrants that,
25 to [Placebase’s] knowledge, the Deliverables will not violate the intellectual
26 property rights of any third party, including trademark, patent, copyright, and trade
27 secrets, or proprietary and non-disclosure rights.

28 Subcontract, § 15(b). Defendant agreed further that

all Work produced [under the Subcontract] shall be works made for hire under the
U.S. copyright laws. In addition, [Placebase] hereby irrevocably transfers,
conveys, and assigns in perpetuity to [KPI], its successors, and assigns, any and all
rights, title, and interest which [Placebase] may have in or to Work, including,
without limitation, rights under copyright, patent and trademark law.

Subcontract, § 14(c). In addition, the Subcontract barred Defendant from any future use of that
work:

No License. Except as necessary for [Placebase’s] performance of this Agreement,
no license to [Placebase] under any trademark, patent or copyright, or other
intellectual property right which is now or may hereafter be owned by Vinq or
[KPI] is either granted or implied by this Agreement.

Subcontract, § 14(e). Finally, the Subcontract contained confidentiality requirements,
barring Defendant from using any other work in developing DataPlace or from using any

1 of the proprietary work or information associated with DataPlace in any other system or
2 project. Subcontract, § 13.

3 The development of DataPlace spanned several years, during which time the DataPlace
4 programmers allegedly encountered and solved numerous technical challenges unique to the
5 complex, large-scale undertaking that the DataPlace project entailed. Once the project was
6 largely complete and available to users online, Plaintiff allegedly sought to engage Defendant as
7 a prime contractor to continue the work. Plaintiff claims to have offered merely to substitute
8 Defendant's name for Vinq's, but Defendant allegedly refused to agree to the intellectual
9 property provisions of the contract.

10 Plaintiff states that it became concerned that Defendant, using the proprietary DataPlace
11 code, had "transformed its Pushpin product to include every caching and scaling innovation of
12 DataPlace," including tiling of maps and generating thematic, point, and cartographic data. Pl.'s
13 Opp. at 10:24-27. Plaintiff alleges that "[m]ost of those features were created through the
14 intensive effort led and funded by KPI and of which Placebase was a part. While Placebase had
15 never developed a national mapping system before the more than three-year, 50,000-hour
16 DataPlace project, it developed PolicyMap in less time using significantly fewer resources."
17 Pl.'s Opp. at 11:18-19 (citing Complaint ¶¶ 33-34). Based on this functional similarity,
18 Defendant's access to the DataPlace code, and the alleged impossibility of developing a rival
19 system in so little time and with so many fewer resources, Plaintiff concluded that Defendant
20 improperly had used the DataPlace code.

21 Defendant initially filed suit in the United States District Court for the District of
22 Columbia, which dismissed the action based on a forum selection clause requiring that any
23 litigation proceed in Santa Clara County, California. Plaintiff then filed the instant action on
24 September 10, 2008.³ Defendant now moves to dismiss the complaint under Federal Rules of

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26 ³ On September 19, 2008, Plaintiff sent Defendant's internet service provider a DMCA
27 takedown notice based on the same copyright infringement allegations that give rise in part to
28 this lawsuit. Defendant applied for a temporary restraining order, which this Court granted on
September 26, 2008. Defendant subsequently moved for preliminary injunctive relief identical in
scope to that afforded by the TRO. Upon receiving assurances from Plaintiff's counsel in open

1 Civil Procedure 12(b)(7), 12(b)(6), and 12(b)(1). For the reasons set forth below, the motion will
2 be denied.

3 **II. DISCUSSION**

4 Defendant urges dismissal of the instant action on several grounds. First, Defendant
5 contends that Vinq is a necessary party, requiring dismissal pursuant to Rule 12(b)(7) for failure
6 to join a necessary party, as required by Rule 19(a). Second, Defendant argues that Plaintiff has
7 failed to state a cognizable claim for breach of contract or trade secret misappropriation,
8 requiring dismissal of those claims pursuant to Rule 12(b)(6). Finally, Defendant argues that the
9 Court must dismiss Plaintiff’s copyright infringement claim because the deposits underlying the
10 allegedly infringed copyrights are defective, depriving the Court of subject matter jurisdiction.
11 The Court addresses each of these arguments in turn.

12 **A. Dismissal pursuant to Rule 12(b)(7)**

13 Rule 12(b)(7) permits dismissal of an action where a necessary and indispensable party
14 has not been joined pursuant to Rule 19(a). The two inquiries relevant to the application of Rule
15 19(a) in the instant case are (1) whether the absent party is “necessary,” and (2) if so, “whether it
16 is feasible to order that the absentee be joined.” *See Wilbur v. Locke*, 423 F.3d 1101, 1111-1112
17 (9th Cir. 2005) (quotation marks and citation omitted). When an absent party can be joined to
18 the case, “the court must order that the person be made a party,” and may not order dismissal.
19 Fed. R. Civ. P. 19(a)(2). As Plaintiff notes, Vinq has consented to jurisdiction in this Court and
20 could be joined if necessary. Thus, dismissal pursuant to Rule 12(b)(7) would be inappropriate at
21 this juncture. The only question is whether Vinq is a necessary party.

22 Rule 19(a) provides that a party must be joined if

- 23 (A) in that person’s absence, the court cannot accord complete relief among
24 existing parties; or (B) that person claims an interest relating to the subject of the
25 action and is so situated that disposing of the action in the person's absence may:
26 (i) as a practical matter impair or impede the person’s ability to protect the
27 interest; or (ii) leave an existing party subject to a substantial risk of incurring
28 double, multiple, or otherwise inconsistent obligations because of the interest.

28 court that no further takedown notices would be sent to any person in connection with the subject
of this lawsuit, the Court denied the motion for a preliminary injunction as moot.

1 Fed. R. Civ. P. 19(a). Courts frequently have concluded that parties to a contract are “necessary”
2 in an action on the contract. *See, e.g., Wilbur*, 423 F.3d at 1113; *Lomayaktewa v. Hathaway*, 520
3 F.2d 1324, 1325 (9th Cir. 1975). While this principle applies with particular potency in actions
4 to void a contract, *see, e.g., Wilbur*, 423 F.3d at 1113; *Makah Indian Tribe v. Verity*, 910 F.2d
5 555, 558 (9th Cir. 1990); *Lomayaktewa*, 520 F.2d at 1325, it is no less relevant in actions to
6 determine rights and obligations under such a contract. Thus, even if a party does not, through
7 his absence, risk losing all rights under a contract, that party’s “attempts to protect its interest
8 nevertheless may be *practically* impaired or impeded by proceeding with [the] action in its
9 absence.” *Global Discount Travel Servs., LLC v. Trans World Airlines, Inc.*, 960 F. Supp. 701,
10 708 (S.D.N.Y. 1997). This is true whenever the absent party “has clear rights and affirmative
11 obligations under the contract which [the court] must construe.” *Ente Nazionale Idrocarburi v.*
12 *Prudential Secs. Group, Inc.*, 744 F. Supp. 450, 458 (S.D.N.Y. 1990).

13 The Court agrees with Defendant (1) that Vinq’s rights as a practical matter could be
14 impaired by a disposition of this action in its absence, and (2) that Defendant could be subjected
15 to multiple and inconsistent obligations as a result of Vinq’s absence. Vinq is a party to both the
16 Prime Contract and the Subcontract that form the basis of Plaintiff’s claims, and any
17 interpretation of those agreements as a practical matter may impair Vinq’s rights or obligations.
18 For example, Plaintiff’s allegations stem in part from obligations contained in the Prime Contract
19 between Vinq and Plaintiff, which required Vinq to ensure that all subcontractors were bound by
20 the terms of the Prime Contract. If Plaintiff is forced to argue that Vinq should have discharged
21 that contractual obligation differently, Vinq’s rights and obligations will be litigated in the instant
22 action. While this Court’s judgment would not bind Vinq as an absent party, it might well affect
23 Vinq’s rights and business reputation.

24 With respect to Defendant’s interests, it is apparent that litigation in Vinq’s absence could
25 subject Defendant to multiple and inconsistent judgments. If Plaintiff does not succeed in this
26 action because Vinq failed properly to bind Defendant to the terms of the Prime Contract,
27 Plaintiff ultimately might sue Vinq for breaching the terms of the Prime Contract. Vinq in turn
28 might sue Defendant, alleging that Defendant, not Vinq, breached its duties under the contract.

1 Because Vinq would not be bound by this Court’s judgment, Defendant might face another
2 action arising from the instant dispute. In light of the foregoing, the Court finds that Vinq is a
3 necessary party for purposes of Rule 19(a) and will order that it be joined to this action.

4 **B. Dismissal of breach of contract and trade secret misappropriation claims pursuant**
5 **to Rule 12(b)(6)**

6 Plaintiff claims that it is a third-party beneficiary of the Subcontract executed between
7 Defendant in Vinq, which allegedly incorporated key confidentiality and exclusivity-of-
8 ownership provisions contained in the Prime Contract executed between Vinq and Plaintiff.
9 Defendant argues that Plaintiff cannot have been a third-party beneficiary of the Subcontract
10 because certain “contradictory” provisions in that contract benefit Defendant. With respect to its
11 claim for trade secret misappropriation, Plaintiff alleges that the confidential source code
12 developed for the DataPlace project is a trade secret, and that Defendant “us[ed], cop[ied], and
13 misappropriat[ed]” it. Defendant argues that Plaintiff has failed adequately to identify what
14 particular material constitutes a trade secret or to allege that Defendant was bound by any
15 confidentiality agreement not to use the material.

16 **1. Legal standard**

17 A complaint may be dismissed for failure to state a claim upon which relief may be
18 granted for one of two reasons: (1) lack of a cognizable legal theory; or (2) insufficient facts
19 under a cognizable legal theory. *Robertson v. Dean Witter Reynolds, Inc.*, 749 F.2d 530, 533-34
20 (9th Cir. 1984). For purposes of a motion to dismiss, all allegations of material fact in the
21 complaint are taken as true and construed in the light most favorable to the nonmoving party.
22 *Clegg v. Cult Awareness Network*, 18 F.3d 752, 754 (9th Cir. 1994). A complaint should not be
23 dismissed “unless it appears beyond doubt the plaintiff can prove no set of facts in support of his
24 claim that would entitle him to relief.” *Clegg*, 18 F.3d at 754. However, a plaintiff is required to
25 provide “more than labels and conclusions,” *Bell Atl. Corp. v. Twombly*, __ U.S. __, 127 S.Ct.
26 1955, 1964 (2007), and the “[f]actual allegations must be enough to raise a right to relief above
27 the speculative level.” *Id.* at 1965.

1 **2. Breach of contract claim**

2 To state a claim for breach of contract, a plaintiff must plead the following four elements:
3 (1) the existence of a contract; (2) performance by the plaintiff or excuse for nonperformance; (3)
4 breach by the defendant; and (4) damages. *Santana Row Hotel Partners, L.P. v. Zurich Am. Ins.*
5 *Co.*, 446 F. Supp. 2d 1108, 1114 (N.D. Cal. 2006). A third-party beneficiary may enforce a
6 contract made “expressly” for his or her benefit. Cal. Civ. Code § 1559; *Kaiser Eng’rs, Inc. v.*
7 *Grinnell Fire Prot. Sys. Co.*, 173 Cal. App. 3d 1050, 1055 (1985). “The term ‘expressly’ in Civil
8 Code section 1559 . . . mean[s] merely the negative of ‘incidentally.’” *Id.* (citation omitted).
9 Thus, while the “the intent of the contracting parties to benefit expressly that third party must
10 appear from the terms of the contract,” *id.*, “it is not necessary that the beneficiary be named and
11 identified as an individual; a third party may enforce a contract if he can show he is a member of
12 a class for whose benefit it was made,” *Prouty v. Gores Tech. Group*, 121 Cal. App. 4th 1225,
13 1233 (2004). A third party also need not be the exclusive beneficiary of each term of a contract
14 in order to enforce those terms that do benefit it. *See Embry v. King*, 191 F. Supp. 2d 1071,
15 1086-87. As long as “the terms of the contract necessarily require the promisor to confer a
16 benefit on a third person, then the contract, and hence the parties thereto, contemplate a benefit to
17 the third person.” *Prouty*, 121 Cal. App. 4th at 1233.

18 Plaintiff’s complaint alleges the following with respect to Defendant’s obligations under
19 the Prime Contract and Subcontract: (1) Plaintiff and Vinq entered the Prime Contract, which
20 required (a) that the software developed by Vinq for Plaintiff be original, (b) that Vinq treat
21 Plaintiff’s confidential and proprietary information as confidential, and (c) that Plaintiff receive
22 ownership of all rights in the system, Complaint ¶ 15; (2) the Subcontract between Defendant
23 and Vinq “incorporated the applicable provisions of the Prime Contract, which was attached to
24 the subcontract,” *id.* ¶ 16; (3) Defendant (a) agreed in the Subcontract that all work produced as
25 part of the project would be originally developed for and owned by Plaintiff, (b) agreed to assign
26 its rights to such material to Plaintiff, and (c) “agreed to be bound by strict confidentiality
27 obligations during and after the project,” *id.* ¶ 17; and (4) Plaintiff is a third-party beneficiary of
28 the relevant provisions of the Subcontract between Defendant and Vinq.

1 Given the generous pleading standard of Rule 8(a), which requires only a short and plain
2 statement showing the complainant’s entitlement to relief, *see Erickson v. Pardus*, __ U.S. __,
3 127 S.Ct. 2197, 2200 (2007) (noting that “[s]pecific facts are not necessary; the [short and plain]
4 statement need only ‘give the defendant fair notice of what the . . . claim is and the grounds upon
5 which it rests’ (citation omitted)), Plaintiff more than adequately has alleged the existence of a
6 contract and its status as a third-party beneficiary of the relevant provisions. Defendant argues
7 that Plaintiff is not an intended beneficiary of key confidentiality and ownership provisions in the
8 Subcontract—the sole purpose of which was to facilitate a large-scale software development
9 project intended exclusively for Plaintiff’s benefit—because of certain provisions that benefit
10 Defendant as well. Defendant refers principally to § 14 of the Subcontract, which states that
11 “[e]ach party is and shall remain the sole and exclusive owner of all right, title, and interest in
12 and to its own Preexisting Technology and associated intellectual property rights.” Subcontract,
13 § 14(a). Defendant states that, “[p]er the subcontract, [it] retained its rights to its own existing
14 technology, which includes, at least, the code now underlying Pushpin.” Def.’s MTD at 6:15-18.

15 Not only does this assertion beg the ultimate question of whether Defendant’s code *is*
16 solely a preexisting work or a derivation⁴ thereof, but it is far from clear how this provision could
17 be read to vitiate the many confidentiality and exclusivity provisions contained both directly in
18 the Subcontract and incorporated therein by reference to the Prime Contract. Even setting aside
19 the scope and operation of the incorporation clause, §§ 14(b)-(e) and § 15(b) of the Subcontract
20 appear to confer upon Plaintiff the contractual rights it requires to state a claim for breach of
21 contract, and Plaintiff unquestionably is a third-party beneficiary of these provisions. Each
22 provision makes explicit that the beneficiary is the “End Client,” which the Subcontract defines
23 as the Fannie Mae Foundation—Plaintiff’s alleged predecessor-in-interest. *See, e.g., Christian v.*

24
25 ⁴ Section 14 of the Subcontract also protects Defendant’s rights to works that are
26 “derivative” of its preexisting materials. “A ‘derivative work’ is a work based upon one or more
27 preexisting works, such as a translation, musical arrangement . . . art reproduction, abridgement,
28 condensation, or any other form in which a work may be recast, transformed, or adapted. A work
consisting of editorial revisions, annotations, elaborations, or other modifications which, as a
whole, represent an original work of authorship, is a ‘derivative work.’” *Jarvis v. K2 Inc.*, 486
F.3d 526, 531 (9th Cir. 2007).

1 *Flora*, 164 Cal. App. 4th 539, 553 (2008) (“[P]laintiffs are in effect third party beneficiaries of
2 the actions taken by the defendants’ predecessors in interest.”). At a minimum, the operation of
3 the clause cited by Defendant in §14(a) of the Subcontract is not an appropriate basis for granting
4 the instant motion to dismiss.

5 Defendant also argues that Plaintiff has provided no more than mere “labels and
6 conclusions” with respect to the nature of the alleged breach. The complaint, however, explains
7 in considerable detail the elaborate and allegedly unprecedented nature of the DataPlace
8 undertaking, the involvement in that project of the same software engineers who ultimately
9 developed Defendant’s allegedly infringing code, and the apparent impossibility of producing a
10 product comparable to Plaintiff’s in the brief period in which Defendant allegedly did so.
11 Drawing all reasonable inferences in Plaintiff’s favor, the Court concludes that Plaintiff has
12 provided Defendant with notice of the claim sufficient to satisfy Rule 8(a).

13 **3. Trade secret misappropriation claim**

14 Plaintiff alleges that Defendant misappropriated trade secrets in violation of the
15 California Uniform Trade Secrets Act (“UTSA”), Cal. Civ. Code § 3426. To state a claim for
16 misappropriation of trade secrets, Plaintiff must show (1) the existence of a trade secret, and (2)
17 the misappropriation of that trade secret. The UTSA defines a “trade secret” as “information,
18 including a formula, pattern, compilation, program, device, method, technique, or process, that:
19 (1) derives independent economic value, actual or potential, from not being generally known to
20 the public or to other persons who can obtain economic value from its disclosure or use; and (2)
21 is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” Cal.
22 Civ. Code § 3426.1(d). Misappropriation is defined as either “(1) acquisition of a trade secret of
23 another by a person who knows or has reason to know that the trade secret was acquired by
24 improper means; or (2) disclosure or use of a trade secret of another without express or implied
25 consent by a person who” used improper means to acquire knowledge of the trade secret or knew
26 that such knowledge was improper.” Cal. Civ. Code § 3426.1(b).

27 Defendant contends that Plaintiff has neither alleged the existence of a trade secret with
28 sufficient particularity nor alleged that such a trade secret had “independent economic value,

1 actual or potential, from not being generally known.” See Cal. Civ. Code § 3426.1(d). A
2 complaint “should describe the subject matter of the trade secret with sufficient particularity to
3 separate it from matters of general knowledge in the trade or special knowledge of those persons
4 who are skilled in the trade, and to permit the defendant to ascertain at least the boundaries
5 within which the secret lies.” *Diodes, Inc. v. Franzen*, 260 Cal. App. 2d 244, 253 (1968).
6 However, “one who seeks to protect his trade secrets from wrongful use or disclosure does not
7 have to spell out the details for the trade secret to avoid a demurrer to a complaint.” *Premiere*
8 *Innovations, Inc. v. Iwas Indus., LLC*, No. 07cv1083, 2007 WL 2873442, at *4 (S.D. Cal. Sep.
9 28, 2007).

10 The complaint states that “[t]he code required to operate DataPlace and all of the design
11 and development work of the project to create the code are protectable trade secrets of
12 KnowledgePlex because they have independent value from being confidential and not readily
13 known or ascertainable by proper means, and because they are the subject of reasonable efforts to
14 maintain their secrecy.” Complaint ¶ 51. Defendant contends that this allegation is an
15 impermissible “legal conclusion couched as a factual allegation.” *Bell Atlantic Corp. v.*
16 *Twombly*, ___ U.S. ___, 127 S.Ct. 1955, 1965 (2007). Defendant, however, ignores several
17 specific portions of the complaint alleging that Placebase was subject to confidentiality
18 requirements governing the entire DataPlace project (even if only through the Subcontract’s
19 incorporation clause), and that the development team worked “confidentially . . . behind firewalls
20 on secure servers through secure channels with limited, restricted access.” Complaint ¶¶ 15, 21.
21 Moreover, Plaintiff’s allegations regarding the groundbreaking nature of the DataPlace
22 undertaking, its potentially broad application, and the confidential manner in which the work
23 proceeded indicate value for purposes of Cal. Civ. Code § 3426.1(d). Accordingly, Plaintiff’s
24 allegation of a valuable trade secret is adequate.

25 Defendant also argues that the complaint contains insufficient allegations with respect to
26 Defendant’s alleged “misappropriation” of Plaintiff’s trade secrets. The complaint states the
27 following: (1) that Defendant was bound by confidentiality requirements and contractual
28 provisions granting exclusive ownership rights in the DataPlace source code to Plaintiff; (2) that

1 Defendant “began developing a nearly identical product for itself called Pushpin . . . [,] the work
2 for [which] began in early 2007, even while Placebase was continuing to develop the DataPlace
3 project,” Complaint ¶ 32; (3) that Defendant “used the same programmers to develop Pushpin
4 and PolicyMap that it used to develop DataPlace,” *id.*; (4) that Defendant’s new product was
5 “substantially similar to DataPlace with substantially similar functionality,” Complaint ¶ 36; and
6 (5) that Defendant developed its product in so much less time, at such an inferior cost, and with
7 so many fewer resources that Defendant could only have “copied, incorporated, and prepared
8 derivative works of KnowledgePlex’s” confidential code, *id.* See generally Complaint ¶¶ 15-21,
9 31-37. Given that Plaintiff has not yet had the benefit of discovery, and in light of the liberal
10 pleading standard of Rule 8(a), the Court concludes that Plaintiff adequately has alleged
11 misappropriation of a trade secret.

12 **C. Dismissal of copyright claim pursuant to Rule 12(b)(1)**

13 To demonstrate infringement of a copyrighted computer code, Plaintiff has the burden of
14 showing (1) that it owns a valid copyright in the code it alleges to have been copied, and (2) that
15 Defendant copied “constituent, original elements” of that code.” *Data Gen. Corp. v. Grumman*
16 *Systems Support Corp.*, 36 F.3d 1147, 1160 & n.19 (1st Cir. 1994); see also 17 U.S.C. § 501;
17 *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). Defendant argues that the
18 Court lacks subject matter jurisdiction over at least part of Plaintiff’s copyright infringement
19 claim because the deposits underlying the copyright registrations are defective. Certificates of
20 copyright registration are issued by the Copyright Office after it accepts a registrant’s application,
21 fee, and deposit of a representative copy of the work. 17 U.S.C. § 408. Registration deposits of
22 computer code generally require “one copy of identifying portions of the program,” the precise
23 form of which depends upon whether the program contains trade secrets, whether it is more than
24 fifty pages in length, and whether it is a “revision” or an original work. 37 C.F.R. §
25 202.20(c)(vii).

26 “A key purpose of . . . the deposit requirement is to prevent confusion about which work
27 the author is attempting to register.” *Data Gen. Corp.*, 36 F. 3d at 1162. To further this purpose,
28 all that is required is enough “of the source code . . . [to] ‘reveal[] an appreciable amount of

1 original computer code.” *Id.* (quoting 37 C.F.R. § 202.20(c)(2)(vii)(A)(2)) (amendments and
2 emphasis in original). Consequently, while a valid registration “is a prerequisite to suit under the
3 Copyright Act,” *id.* at 1160, and its absence may be a “jurisdictional” defect, *see, e.g., Perfect 10,*
4 *Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 710 n.1 (9th Cir. 2007), the Ninth Circuit has held that
5 the standard governing the sufficiency of copyright deposits for purposes of maintaining an
6 infringement suit is “broad and deferential.” *Three Boys Music Corp. v. Bolton*, 212 F.3d 477,
7 486 (9th Cir. 2000). Thus, “absent intent to defraud and prejudice, inaccuracies in copyright
8 registrations do not bar actions for infringement.” *Id.* (quoting *Harris v. Emus Records Corp.*,
9 734 F.2d 1329, 1335 (9th Cir. 1984)); *see also Urantia Found. v. Maaherra*, 114 F.3d 955, 963
10 (9th Cir. 1997) (noting “overwhelming” endorsement of the *Harris* standard in the case law).

11 In the instant case, Defendant does not claim that Plaintiff committed fraud on the
12 copyright office in registering the relevant copyrights. Instead, Defendant argues that Plaintiff’s
13 failure to provide the first twenty-five pages of the relevant computer code renders its deposit
14 copy defective.⁵ Defendant contends that the magnitude of Plaintiff’s deposit errors prevents the
15 Court from excusing them. The applicable rule, however, contains no such exception. Indeed, as
16 the First Circuit has noted, the Ninth Circuit’s rule is particularly generous towards plaintiffs in
17 this regard, requiring “that a defendant . . . show that it was *prejudiced* by a fraudulent
18 misstatement or omission in a registration application . . . , whereas other[] [courts] merely
19 require proof that an intentional error, if discovered by the Copyright Office, would have been
20 *material* to the registration decision.” *Data Gen. Corp.*, 36 F. 3d at 1161 n.24 (citing *Harris*, 734
21 F.3d at 1335 (emphasis in original)).⁶ Defendant has not explained how it was prejudiced by
22 Plaintiff’s purported deposit errors, and it is difficult to see how Defendant could make such a
23 showing. The deposit requirements are designed to aid the Copyright Office in its record-

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25 ⁵ Defendant points out that the Copyright Office itself determined that Plaintiff’s deposit
did not comply with applicable requirements.

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27 ⁶ To the extent that *Geoscan, Inc. of Texas v. Geotrace Technologies., Inc.*, 226 F.3d 387,
393 (5th Cir. 2000) held that only absolute compliance with the “statutory formalities” is
28 sufficient to confer jurisdiction pursuant to 17 U.S.C. § 411, that holding is in direct conflict with
the Ninth Circuit’s more forgiving rule.

1 keeping duties. *Id.* at 1162. By contrast, “giv[ing] would-be infringers notice of the extent of
2 their civil liability . . . can hardly have been an important legislative goal because a copyright
3 owner is free to register any time before filing suit, even *after* the act of infringement.” *Id.* at
4 1162 n.26.

5 Finally, to the extent that Defendant argues that the *scope* of the Court’s subject matter
6 jurisdiction is limited to allegations based on portions of the DataPlace source code properly
7 deposited with the Copyright Office, Defendant provides no authority for such a parsing of the
8 Ninth Circuit’s rule, and the Court has found none. Indeed, the Ninth Circuit in *Three Boys*
9 explicitly rejected an argument that the district court lacked subject matter jurisdiction over a
10 copyright infringement claim where the plaintiff had “failed to register a complete copy of the
11 song upon which the lawsuit was based,” in that “the deposit copy d[id] not include the majority
12 of the musical elements that were part of the infringement claim.” *See Three Boys Music Corp.*,
13 212 F.3d at 486. The Court reiterated that the standard with respect to the adequacy of deposits
14 is “broad and deferential.” *Id.* Accordingly, Plaintiff’s incomplete deposit in the instant case
15 does not deprive the Court of subject matter jurisdiction over the DataPlace code.⁷

16 III. CONCLUSION

17 For the foregoing reasons, Defendant’s motion to dismiss will be denied. In addition,
18 Plaintiff is ordered to join Vinq as a party to this action pursuant to Federal Rule of Civil
19 Procedure 19(a).

20 **IT IS SO ORDERED.**

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25 ⁷ Defendant’s argument with respect to the deposit is best directed towards the first
26 required element of a copyright infringement claim on the merits: the possession of a “valid”
27 copyright. *See, e.g., Shady Records, Inc. v. Source Enters., Inc.*, No. 03 Civ. 9944(GEL), 2005
28 WL 14920, at *8 (S.D.N.Y. Jan. 3, 2005) (rejecting argument that court lacked subject matter
jurisdiction due to incomplete deposits and noting that such an argument “is routinely
adjudicated by the factfinder as potentially negating the first element of a copyright infringement
suit, not as a jurisdictional issue to be decided by the Court”).

1 DATED: 12/17/08

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3 JEREMY FOGEL
4 United States District Judge

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