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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

MARKETING INFORMATION  
MASTERS, INC., a California  
corporation,  
  
  Plaintiff,  
  
v.  
  
THE BOARD OF TRUSTEES OF THE  
CALIFORNIA STATE UNIVERSITY  
SYSTEM, et. al.,  
  
  Defendants.

Civil No. 06cv1682 JAH (JMA)

**ORDER GRANTING IN PART AND  
DENYING IN PART  
DEFENDANTS’ MOTION TO  
DISMISS [Doc. No. 20] AND  
DENYING DEFENDANTS’  
MOTION FOR SANCTION  
[Doc. No. 22]**

Pending before the Court are Defendants Board of Trustees of the California State University and Robert A. Rauch’s motion to dismiss and motion for sanctions. Plaintiff opposes both motions. After a thorough review of the parties’ submissions and as discussed below the Court GRANTS IN PART AND DENIES IN PART the motion to dismiss and DENIES the motion for sanctions.

**I. Motion to Dismiss**

Defendants argue the complaint should be dismissed because Plaintiff improperly asserts claims against the Board of Trustees and Rauch in his official capacity this Court previously dismissed with prejudice and the state law claims are preempted by the Copyright Act.

**A. Claims Previously Dismissed with Prejudice**

In the order granting in part and denying in part Defendants’ motion to dismiss the First Amended Complaint, the Court dismissed with prejudice the Board of Trustees and all claims

1 against Rauch in his official capacity upon finding they were entitled to Eleventh Amendment  
2 immunity. The Court also dismissed the misappropriation claim and conversion claim against  
3 Rauch in his individual capacity without prejudice and with leave to amend. Plaintiff filed a  
4 Second Amended Complaint (“SAC”) and reasserted the claims against the Board of Trustees  
5 and Rauch in his official capacity.

6 Defendants argue, by reasserting claims against the Board of Trustees and Rauch in his  
7 official capacity, Plaintiff’s complaint fails to differentiate between claims and parties and,  
8 thereby “turn[s] Rule 8 on its head.” Motion at 4. They maintain the SAC denies them fair  
9 notice of the claims against them and prevents them from filing a cogent answer.

10 Plaintiff argues the motion to dismiss the claims against the Board of Trustees and Rauch  
11 in his official capacity should be denied as moot in that counsel determined it was necessary  
12 and appropriate to include all the allegations to avoid a waiver of the claims against the Board  
13 of Trustees and Rauch in his official capacity. Plaintiff maintains it may seek review of the  
14 Court’s immunity ruling and its failure to reassert the allegations may waive appeal.

15 A review of the SAC demonstrates Plaintiff reasserts claims against the Board of Trustees  
16 and Rauch in his official capacity. Plaintiff contends it reasserted these claims although they  
17 were dismissed with prejudice to avoid waiving the dismissal of the claims for immunity on  
18 appeal. Plaintiff cites to no authority and this Court’s own research found no authority for the  
19 contention that a plaintiff must reassert claims in an amended complaint previously dismissed  
20 with prejudice to preserve appeal rights. The Court finds the minimal authority on this matter  
21 suggests a plaintiff may not reassert claims previously rejected by a court with prejudice. See  
22 In re Calpins Corp. Erisa Litigation, 2005 WL 3288469 (N.D.Cal.); Miller v. Continental  
23 Airlines, Inc., 2003 WL 21557678 ( Finding the renewed presence of claims previously  
24 dismissed with prejudice in the amended complaint represented “impertinent material.”).  
25 Additionally, allowing the claims to remain in the amended pleading requires Defendants to  
26 defend against claims this Court previously rejected. See FED.R.CIV.P. 8(d) (“An allegation. .  
27 .is admitted if a responsive pleading is required and the allegation is not denied.”). The claims  
28 against the Board of Trustees and Rauch in his official capacity are dismissed with prejudice.

1 **B. State Law Claims**

2 The Court dismissed the state law claims for misappropriation and conversion against  
3 Rauch in his individual capacity as preempted by the Copyright Act with leave to amend.  
4 Plaintiff’s SAC asserts claim for conversion, misappropriation and unfair business practices.  
5 Defendant argues the claims for conversion, misappropriation and unfair business practices fall  
6 with the purview of the Copyright Act, because they involve copyright subject matter and do  
7 not allege an “extra element” that materially changes them. Plaintiff argues the allegations of  
8 the SAC establish the “extra element” necessary to avoid preemption.

9 **1. Legal Standard**

10 Section 301(a) states that all legal rights stemming from copyright ownership are to be  
11 governed by federal law. The Ninth Circuit employs a two-part test to determine whether a  
12 claim is preempted by the Copyright Act. Laws v. Sony Music Entertainment, Inc., 448 F.3d  
13 1134 (9<sup>th</sup> Cir. 2006); Kodadek v. MTV, 152 F.3d 1209 (9<sup>th</sup> Cir. 1998); Del Madera Properties  
14 v. Rhodes and Gardner, Inc., 820 F.2d 973 (9<sup>th</sup> Cir. 1987) (overruled on other grounds). First,  
15 preemption will only occur if the work in question falls within the scope of the Copyright Act  
16 as set forth in 17 U.S.C. §§102, 103. Id. Second, the specific state law rights claimed must be  
17 commensurate to rights that are protected by the Copyright Act in 17 U.S.C. § 301(a). Id. “A  
18 ‘right which is equivalent to copyright’ is one which is infringed by the mere act of  
19 reproduction, performance, distribution, or display.” Balboa v. Trans Global, 218 Cal.App.3d  
20 1327(1990)(quoting 1 Nimmer on Copyright §1.01[b] at pages 1-12). If the state law contains  
21 an element that is not present in the Copyright Act which materially changes the cause of  
22 action, the state law claim will not be preempted. Balboa, 218 Cal.App.3d 1327.

23 **2. Analysis**

24 **a. The Scope of the Copyright Act**

25 Upon review of the FAC, Plaintiff seeks relief for the theft of “tangible materials,” and  
26 “intangible ideas” including questionnaires, questionnaire design strategies, research strategies,  
27 mathematical equations, data gathering techniques, training techniques, sample selection,  
28 quality control procedures, data analysis techniques, work papers, methodologies and other

1 tangible and intangible property. SAC ¶ 60. The Court finds the tangible properties are  
2 “tangible works of authorship” within the scope of the Copyright Act. See Del Madera  
3 Properties; see also 17 U.S.C. §§ 101, 102. Furthermore, the questionnaires and work papers  
4 were created in connection with the copyrighted economic impact studies.

5 The Court further finds the “intangible ideas” generated in connection with the impact  
6 studies, as alleged in the complaint, are also within the scope of the Copyright Act. See U.S.  
7 Ex. Rel. Berge v. Trustees of the University of Alabama, 104 F.3d 1453 (4<sup>th</sup> Cir. 1997) (finding  
8 state claim for conversion for “ideas” contained in copyrighted doctoral thesis is preempted by  
9 the Copyright Act); Entous v. Viacom Intern., Inc., 151 F.Supp.2d 1150 (C.D.Cal. 2001);  
10 Selby v. New Line Cinema Corp., 96 F.Supp.2d 1053 (C.D.Cal. 2001); Firoozye v. Earthlink  
11 Network, 153 F.Supp.2d 1115 (N.D.Cal. 2001).

## 12 **b. Equivalent to Right Protected Under the Copyright Act**

### 13 **i. Conversion**

14 Defendants argue the conversion claim seeks only monetary damages and, therefore, fails  
15 to add any “extra element” to that which is covered by the Copyright Act. Relying on the  
16 holding in G.S.Rasmussen & Assoc. v. Kalita Flying Serv. Inc., 958 F.2d 896 (9<sup>th</sup> Cir. 1992),  
17 Plaintiff argues its conversion claim that seeks damages for use of copyrighted material is not  
18 preempted by the Copyright Act. Defendants argue G.S. Rasmussen does not resuscitate the  
19 claim, because the Ninth Circuit holding was based upon specific facts that are not present here;  
20 namely, that the conversion claim was not preempted where the defendant converted a specific  
21 government privilege.

22 In G. S. Rasmussen, the holder of a Supplemental Type Certificate (“STC”) issued by  
23 the Federal Aviation Administration for an aircraft modification design sued a company for the  
24 use of the STC without a license for conversion and unjust enrichment. Upon finding the  
25 plaintiff sought relief for not only the copying of documents, but their use for “obtaining a  
26 valuable privilege-the right to modify an airplane in a particular way without going to the  
27 trouble and expense of proving that the modification meets FAA standards”, the Ninth Circuit  
28 determined the Copyright Act did not preempt the plaintiff’s claim for conversion. 958 F.2d

1 at 904.

2 In this action, Plaintiff alleges Rauch “simply copied and plagiarized substantial portions  
3 of Plaintiff’s 2003 Economic Impact Report and other proprietary information and intellectual  
4 property, substituting different data, to prepare the 2004 SDSI economic impact report instead  
5 of creating their own original report.” SAC ¶ 36. Plaintiff further alleges Defendant copied the  
6 report “rather than independently performing a legitimate economic impact study and then  
7 independently writing a report about such study.” *Id.* ¶ 39. With regard to the conversion  
8 claim, Plaintiff alleges Defendant “used Plaintiff’s tangible and intangible Property to conduct  
9 multiple economic impact studies and surveys.” *Id.* ¶ 61. The Court finds G. S. Rasmussen is  
10 distinguishable from Plaintiff’s claim. Based upon the allegations, the core of the conversion  
11 claim is the wrongful reproduction of Plaintiff’s property in future economic impact studies.  
12 As such, the conversion claim is seeking relief for rights protected under the Copyright Act and  
13 is, therefore, preempted by the Act.

14 **ii. Misappropriation of Trade Secrets**

15 Defendants argue the misappropriation claim is preempted, because Plaintiff fails to  
16 allege Defendant Rauch was under any obligation to keep the material he disclosed secret.  
17 They maintain, absent any duty to keep the material secret, the misappropriation claim asserts  
18 rights equivalent to those protected under the Copyright Act. Plaintiff argues the complaint  
19 expressly alleges Rauch disclosed confidential and proprietary information to multiple third  
20 parties and, in doing so, violated the secrecy of the protected materials.

21 Plaintiff alleges the tangible and intangible property at issue constituted “confidential,  
22 proprietary and trade secret information owned by Plaintiff,” subject to efforts to maintain the  
23 secrecy and Defendant disclosed the confidential information. SAC ¶¶ 68, 70, 72. The basis  
24 of Plaintiff’s misappropriation claim is that Defendant wrongfully disclosed confidential and  
25 proprietary, trade secret information. As such, the claim is not based solely upon the  
26 reproduction of Plaintiff’s protected information and, is therefore, not preempted by the  
27 Copyright Act. See Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys., Inc., 7 F.3d 1434,  
28 1440 (9<sup>th</sup> Cir. 1993); Transdes Corp. v. Atkinson Co., 996 F.2d 655, 659 (4<sup>th</sup> Cir. 1993).

1 **iii. Unfair Business Practice**

2 Defendants maintain the unfair business practices claim is founded entirely on the other  
3 claims of the complaint and are likewise preempted. Plaintiff argues, for the same reasons it  
4 asserts the other claims are not preempted, the unfair business practice claim is not preempted.

5 In the complaint, Plaintiff alleges Defendant engaged in “unlawful and unfair business  
6 practices prohibited by Business & Professions Code section 17200 *et. seq.*” through the conduct  
7 previously alleged in the complaint. SAC ¶ 82. To the extent the unfair business practice  
8 claim is based upon the copyright and conversion claims, it is preempted. To the extent it is  
9 based upon the misappropriation claim, the unfair business practice claim is not preempted.

10 **3. Conclusion**

11 Based upon the discussion above, the conversion claim and the unfair business practice  
12 claim based upon the copyright claim and the conversion claim are preempted and shall be  
13 DISMISSED.<sup>1</sup> Because the misappropriation claim and unfair business practice claim are not  
14 preempted the motion to dismiss those claims is DENIED.

15 **II. Motion for Sanctions**

16 Defendants argue the amended complaint violates Rule 11 of the Federal Rules of Civil  
17 Procedure because it was improper to assert claims that were dismissed with prejudice. Rule  
18 11 “requires that sanctions be assessed when a complaint is frivolous, legally unreasonable, or  
19 without factual foundation.” Rachel v. Banana Republic, Inc., 831 F.2d 1503, 1508 (9<sup>th</sup> Cir.  
20 1987) (citing Zuniga v. United Can Co., 812 F.2d 443, 452 (9<sup>th</sup> Cir. 1987)). An objective  
21 reasonableness standard is applied in determining whether sanctions are merited. See Rachel,  
22 831 F.2d at 1508.

23 Defendants argue counsel for Plaintiff filed a “carbon copy” of their previous complaint,  
24 which included the claims dismissed with prejudice by this Court without first looking into the

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26 <sup>1</sup>Defendants maintain Plaintiff has had “three bites at the apple” and is not entitled to  
27 another opportunity to amend the complaint. They ask that the state law claims be dismissed with  
28 prejudice. Plaintiff seek an opportunity to amend if the Court determines the misappropriation  
claim fails to allege a duty to maintain secrecy. Because the Court finds the misappropriation claim  
is not preempted and Plaintiff has been provided ample opportunity to amend the complaint to  
allege a conversion claim not preempted by the Copyright Act, the conversion claim and unfair  
business claim based upon the conversion claim shall be dismissed with prejudice.

1 legality of doing so. They maintain the SAC, as drafted, is frivolous. In refusing to correct the  
2 problem, after being informed of such, Defendants argue Plaintiff caused unnecessary delay and  
3 needless increased costs of litigation. Defendants seek sanctions in the amount of \$7,000,  
4 which is based upon the time spent researching, drafting and responding to correspondence,  
5 researching and preparing the motion and reply brief, and an approximation of the travel time  
6 for attending a hearing on the motion.

7 Plaintiff argues there has been no Rule 11 violation. Plaintiff maintains counsel  
8 determined it was necessary and appropriate to include the allegations against the Board of  
9 Trustees and Rauch in his official capacity, to avoid a waiver of the claims and preserve its  
10 appeal of the dismissal of those claims. Plaintiff further maintains the amount of sanctions  
11 sought is outrageous.

12 As this Court mentioned previously, there is minimal authority on the appropriateness  
13 of reasserting claims dismissed with prejudice in an amended complaint. The Court finds  
14 Plaintiff's motivation and act of including the claims cannot be described as legally  
15 unreasonable nor frivolous. Accordingly, sanctions are not warranted and the motion is  
16 DENIED.

#### 17 CONCLUSION AND ORDER

18 Based on the foregoing, IT IS HEREBY ORDERED:

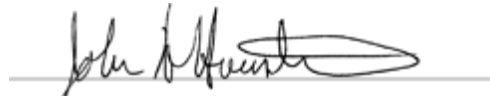
19 1. Defendants' motion to dismiss is **GRANTED IN PART AND DENIED IN**  
20 **PART**. Defendant Board of Trustees is **DISMISSED with prejudice**. All claims  
21 against Defendant Rauch in his official capacity are **DISMISSED with**  
22 **prejudice**. The conversion claim and the unfair business practice claim based  
23 upon the conversion and copyright allegations are **DISMISSED with prejudice**.  
24 The motion is **DENIED** as to the misappropriation claim and the unfair business  
25 practice claim based upon the misappropriation allegations against Rauch in his  
26 individual capacity.

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28 2. Defendants' motion for sanctions is **DENIED**.

1 DATED: December 2, 2008

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JOHN A. HOUSTON  
United States District Judge