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2 UNITED STATES DISTRICT COURT
3 SOUTHERN DISTRICT OF CALIFORNIA

4 AMERICAN SHOOTING CENTER,
5 INC. a California Corporation,
6 RECCE GROUP, INC., a
7 California corporation,

8 Plaintiffs,

9 v.

10 SECFOR INTERNATIONAL, et al.,

11 Defendants.

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13
14
15 SECFOR INTERNATION, et al.,

16 Counter-Claimants

17 v.

18 AMERICAN SHOOTING CENTER,
19 INC., et al.,

20 Counter-Defendants.

Case No.: 13cv1847 BTM(JMA)

**ORDER (1) GRANTING IN PART
AND DENYING IN PART
MOTION BY DEFENDANTS
MIRACOSTA COLLEGE
DISTRICT AND LINDA
KUROKAWA FOR AN ORDER
DISMISSING THE AMENDED
COMPLAINT FOR LACK OF
SUBJECT MATTER
JURISDICTION; (2) DENYING
JURISDICTIONAL DISCOVERY;
AND (3) GRANTING IN PART
AND DENYING IN PART
MOTION BY SECFOR
INTERNATIONAL, ET AL., TO
DISMISS FOR LACK OF
SUBJECT MATTER
JURISDICTION, OR IN THE
ALTERNATIVE, FAILURE TO
STATE A CLAIM**

1 Defendants MiraCosta College District and Linda Kurokawa, in her official
2 capacity as Director of Community Services & Business Development for
3 MiraCosta College (collectively the “MiraCosta Defendants”), have filed a motion
4 for an order dismissing the First Amended Complaint (“FAC”) for lack of subject
5 matter jurisdiction and failure to state a claim upon which relief can be granted.
6 Plaintiffs and the MiraCosta Defendants also filed a joint motion for determination
7 of a discovery dispute, which concerns the same Eleventh Amendment issues that
8 are raised by the MiraCosta Defendants’ Motion to Dismiss. Because the
9 discovery dispute raised dispositive issues, Magistrate Judge Adler ordered that
10 consideration of the joint motion was deferred until Judge Moskowitz evaluated the
11 arguments in connection with the motion to dismiss.

12 Defendants Secfor International, Secfor International LLC,
13 HTPSCOURSE.COM, Absolute Security, Inc., Absolute Protection Group
14 Worldwide, APG, Keiko Arroyo, and Patrick Richard Sweeney aka Rick Sweeney
15 (collectively “Secfor Defendants”) have filed a motion to dismiss the FAC for lack
16 of subject matter jurisdiction, or, in the alternative to dismiss for failure to state a
17 claim.

18 For the reasons discussed below, the MiraCosta Defendants’ motion is
19 **GRANTED IN PART** and **DENIED IN PART**. In addition, the Court denies
20 Plaintiffs’ request for jurisdictional discovery. The Secfor Defendants’ motion is

1 also **GRANTED IN PART** and **DENIED IN PART**.

2
3 **I. BACKGROUND**

4 Plaintiffs are in the business of providing specialty-training courses for
5 security, medical procedures, and protection. (FAC ¶ 23.) Defendant Keiko Arroyo
6 was an employee of American Shooting Center (“ASC”) from approximately
7 October of 2002 to February of 2005. (FAC ¶ 24.) Sweeney worked for ASC from
8 September 23, 2002 to April 13, 2004, and was hired again as a full-time employee
9 on September 20, 2006. (FAC ¶ 25.)

10 According to Plaintiffs, as part of his duties, Sweeney was responsible for
11 preparing training courses and training procedures for use by Plaintiffs in
12 conjunction with courses to be offered to the general public. (FAC ¶ 26.) The
13 courses included videos and photographs of training and various security and
14 medical scenarios as well as materials for class instruction. (Id.) ASC provided
15 Sweeney with two laptop computers on which to prepare the course materials.
16 (Id.)

17 While preparing the courses, Sweeney told Plaintiffs that he was working
18 with MiraCosta College so that the courses could be provided in conjunction with
19 MiraCosta College, utilizing MiraCosta College’s ability to obtain GI bill funding for
20 students. (FAC ¶ 27.) Plaintiffs allege that Sweeney prepared all of the videos,

1 photographs and courses before October 19, 2012, while acting within the course
2 and scope of his duties as an employee of ASC. (FAC ¶ 28.)

3 On or about October of 2012, Plaintiffs learned Sweeney was working with
4 Arroyo to provide training courses. (FAC ¶ 31.) Plaintiffs learned that Sweeney
5 and Arroyo had contacted Plaintiffs' customers and were providing training to many
6 of these customers. (Id.)

7 On October 19, 2012, ASC terminated Sweeney. (FAC ¶ 32.) However,
8 Sweeney allegedly continued providing the same medical training courses that had
9 been provided by Plaintiffs to Plaintiffs' customers. (FAC ¶ 33.) On or about July
10 of 2013, Plaintiffs learned that Defendants had been using Plaintiffs' videos,
11 photographs, and courses on their various websites. (FAC ¶ 34.) ASC owns the
12 copyright to a video (Doc. 94-1), and Recce Group, Inc. owns the copyright to two
13 training bulletins (Doc. 94-2.). Plaintiffs allege that Defendants have infringed their
14 copyrights by transmitting unauthorized copies of the works on their websites and
15 using class materials derived from those works in their courses. (FAC ¶¶ 60-62.)

16 According to Plaintiffs, they are informed and believe that Sweeney has been
17 operating a competing business against Plaintiffs since 2007, while at the same
18 time receiving compensation and benefits from ASC. (FAC ¶ 36.)

19 The FAC asserts the following claims: (1) Direct Infringement of Copyrights
20 (against all Defendants); (2) Secondary Infringement of Copyright (against all

1 Defendants); (3) Breach of Fiduciary Duty (against Sweeney); (4) Aiding and
2 Abetting Breach of Fiduciary Duty (against all Defendants); (5) Unfair Competition
3 under California Common Law (against Sweeney, Arroyo, MiraCosta College, and
4 Linda Kurokawa); (6) Conversion (against Patrick Sweeney); and (7) California
5 Penal Code § 496 – Receiving and/or Concealing Stolen Property (against all
6 Defendants).

8 **II. DISCUSSION**

9 **A. MiraCosta Defendants’ Motion to Dismiss**

10 The MiraCosta Defendants move to dismiss the FAC for lack of subject
11 matter jurisdiction under Fed. R. Civ. P. 12(b)(1) and for failure to state a claim
12 under Fed. R. Civ. P. 12(b)(6) on the grounds that (1) the MiraCosta Community
13 College District (“District”) is a state entity that possesses Eleventh Amendment
14 immunity; (2) Linda Kurokawa, in her capacity as Director of Community Services
15 and Business Development for MiraCosta College, is also immune from suit under
16 the Eleventh Amendment; and (3) Plaintiffs did not present a claim in compliance
17 with the Government Claims Act, Cal. Gov’t Code § 900 et seq. As discussed
18 below, the Court finds that the District is immune from suit under the Eleventh
19 Amendment. The Court also finds that Kurokawa is immune from suit for monetary
20 damages but may be sued in her official capacity for injunctive relief.

1 1. Eleventh Amendment Immunity of the District

2 The Eleventh Amendment proscribes federal courts from hearing suits for
3 damages or injunctive relief brought against an unconsenting state agency.
4 Pennhurst State School & Hosp. v. Halderman, 465 U.S. 89, 100 (1984). To
5 determine whether an entity is an arm of the state, the Ninth Circuit examines the
6 following five factors: (1) whether a money judgment would be satisfied out of state
7 funds; (2) whether the entity performs central government functions; (3) whether
8 the entity may sue or be sued; (4) whether the entity has the power to take property
9 in its own name or only the name of the state; and (5) the corporate status of the
10 entity. Mitchell v. Los Angeles Community College Dist., 861 F.2d 198, 201 (9th
11 Cir. 1988).

12 In Mitchell, the Ninth Circuit looked to California law in applying the factors
13 and held that the Los Angeles Community College District was a state entity that
14 possessed Eleventh Amendment immunity from the plaintiff's section 1981, 1983,
15 and 1985 claims for damages and injunctive relief. Id. at 201. In subsequent cases
16 against community college districts within California, the Ninth Circuit has relied on
17 Mitchell in concluding that, absent waiver, community college districts are immune
18 from suit.

19 In Cerrato v. San Francisco Community College Dist., 26 F.3d 968 (9th Cir.
20 1994), the Ninth Circuit explained:

1 We have held that community college districts are dependent
2 instrumentalities of the state of California. See Mitchell, 861 F.2d at
3 201-02. Accordingly, we lack jurisdiction to hear Cerrato's claims
4 against the district.

5 Id. at 972. The Ninth Circuit did not reapply the five factors for determining
6 whether an entity is an arm of the state. The Ninth Circuit also noted, "Cerrato
7 urges us to overrule circuit precedent with respect to this issue. In the absence of
8 an en banc reversal or an intervening Supreme Court decision, however, we are
9 bound by circuit law. [citations omitted]" Id. at 972 n. 15.

10 In Johnson v. Rancho Santiago Community College Dist., 623 F.3d 1011
11 (9th Cir. 2010), the Ninth Circuit found that the defendant community college
12 district had waived its sovereign immunity by engaging in extensive proceedings
13 in the district court. However, the court noted: "Absent a waiver, the District would
14 be entitled to sovereign immunity because California community college districts
15 constitute arms of the state entitled to sovereign immunity under the Eleventh
16 Amendment. See Cerrato v. S.F. Cmty. Coll. Dist., 26 F.3d 968, 972 (9th Cir.
17 1994)." Id. at 1021 n. 4.

18 Based on the Ninth Circuit precedent discussed above, district courts within
19 California consistently hold that community college districts are entitled to Eleventh
20 Amendment immunity without engaging in an independent analysis of the five
Mitchell factors. See, e.g., Young v. Reedley Community College, 2012 WL
253213, at * 4 (E.D. Cal. Jan. 26, 2012) (declining to apply five factor test and

1 explaining that Ninth Circuit law was clear that the community college defendants
2 were entitled to Eleventh Amendment immunity); Lavell v. San Diego Community
3 College Dist., 2008 WL 4712563 (S.D. Cal. Oct. 21, 2008) (granting motion to
4 dismiss for lack of jurisdiction based on Mitchell); Applied Professional Training,
5 Inc. v. Mira Costa College, S.D. Cal. Case No. 10cv1372 DMS(POR), Order
6 Granting Def.'s Mot. to Dismiss, November 30, 2010 [Doc. 39] (declining to apply
7 five-factor test and holding that MiraCosta Community College is entitled to
8 Eleventh Amendment immunity under Mitchell); Wasson v. Sonoma County Junior
9 College Dist., 4 F. Supp. 2d 893, 902 (N.D. Cal. 1997) ("There is nothing in Mitchell
10 or Cerrato to suggest that individual community college districts in California might
11 be treated differently for purposes of the Eleventh Amendment. . . . The Court is
12 bound to follow Mitchell and Cerrato and finds that the District is a state agency for
13 purposes of the Eleventh Amendment.")

14 Based on Mitchell and Cerrato, the Court finds that the District is immune
15 from suit under the Eleventh Amendment. Plaintiffs argue that Mitchell's state law
16 analysis is erroneous. (Opp. at 9:1-6.) However, Mitchell is binding Ninth Circuit
17 precedent.

18 Next, Plaintiffs argue that Mitchell no longer controls because it was
19 undermined by subsequent legislation. (Opp. at 9:14-15.) Plaintiffs claim that
20 shortly after Mitchell, "the California Legislature enacted the Walter Stiern Act,

1 which changed the organization, structure, and funding for California community
2 college districts.” (Opp. at 14-19.) However, Plaintiffs’ claim of sweeping
3 legislative changes that would change the Eleventh Amendment analysis is not
4 supported by the identification of specific provisions that were enacted after
5 Mitchell and that bear upon the Mitchell factors.

6 In fact, the Walter Stiern Act is comprised of Part 43 of Title 3, Division 7, of
7 the Education Code only, not all of the Education Code provisions relating to
8 community colleges. Cal. Educ. Code § 70900.5 (“This part shall be known, and
9 may be cited, as the ‘Walter Stiern Act.’”). The renaming of Part 43 as the Walter
10 Stiern Act was provided for in Stats. 1990, c. 1587 (S.B. 1570). This 1990
11 legislation did not make any significant changes to the organization, structure, or
12 funding of the California community college districts.¹

13 Contrary to their claims, Plaintiffs have not made *factual* allegations that the
14 relationship between the California community college districts and the state has
15 changed since Mitchell so that reexamination of the immunity issue is warranted.

17
18 ¹ Although Plaintiffs cite to various provisions of the California Education Code in their
19 opposition, they do not specify which provisions predated Mitchell. For example, Plaintiffs point
20 to Cal. Educ. Code §§ 72500 and 72502, which Plaintiffs erroneously describe as part of “the
Walter Stiern Act,” and explain that under these provisions, the District is liable for its own debts,
and all claims for money or damages against it are governed by the Tort Claims Act. (Opp. at
13:10-12.) However, both § 72500 and § 72502 (added by Stats.1976 , c. 1010, § 2) preexisted
Mitchell.

1 See Dollone v. Ventura Unified School Dist., 440 Fed. Appx. 533, 534 (9th Cir.
2 2011) (explaining that discovery on the issue of immunity was unwarranted
3 because “Dollone makes no factual allegations that the relationship between
4 California school districts and the state has changed in the ensuing years.”)
5 Therefore, the Court follows Mitchell and finds that Plaintiffs’ suit against the
6 District is barred under the Eleventh Amendment.

7

8 2. Immunity of Kurokawa

9 Kurokawa is named as a defendant “in her capacity as Director of
10 Community Services and Business Development for MiraCosta College.” (FAC ¶
11 15.)

12 Because Kurokawa has been sued in her official capacity, she shares in the
13 District’s Eleventh Amendment immunity as to claims for retroactive monetary
14 relief. Pennhurst State Sch. & Hosp. v. Halderman, 465 U.S. 89, 102-103 (1984).
15 However, the Eleventh Amendment does not bar suits for prospective declaratory
16 or injunctive relief against state officials in their official capacity. Ex Parte Young,
17 209 U.S. 123, 155-56 (1908); Rounds v. Oregon State Bd. Of Higher Educ., 166
18 F.3d 1032, 1036 (9th Cir. 1999).

19 Accordingly, the Court grants the motion to dismiss as to claims for
20 retroactive monetary relief against Kurokawa, but denies the motion as to Plaintiffs’

1 claims for prospective injunctive relief.²

2
3 3. Plaintiffs' Request for Jurisdictional Discovery

4 In the Joint Motion for Determination of Discovery Dispute [Doc. 87] and their
5 Opposition, Plaintiffs request jurisdictional discovery to oppose the MiraCosta
6 Defendants' motion to dismiss. Plaintiffs specifically request the opportunity to
7 depose Charlie Ng, the District's Vice-President for Business and Administrative
8 Services. The MiraCosta Defendants submitted the declaration of Ng in support
9 of their motion to dismiss. Plaintiffs argue that since the MiraCosta Defendants
10 chose to make Mr. Ng's testimony an issue in this case, Plaintiffs have a right to
11 cross-examine Mr. Ng.

12 However, the Court did not rely on the declaration of Mr. Ng in making its
13 ruling. The Court found that the District was immune under the Eleventh
14 Amendment based on Ninth Circuit precedent, not facts presented by Mr. Ng.
15 Therefore, the Court overrules Plaintiffs' evidentiary objections to Mr. Ng's
16 declaration and denies Plaintiffs' request for jurisdictional discovery. As discussed

17
18

19 ² The requirements of California's Government Claims Act only apply to claims for
20 money or damages, and generally do not apply to claims for declaratory or injunctive relief.
Hart v. Alameda County, 76 Cal. App. 4th 766, 780 (1999). Therefore, it appears that
Plaintiffs' claims for prospective injunctive relief against Kurokawa are not barred by Plaintiffs'
failure to comply with the Claims Act.

1 above, Plaintiffs have not come forward with facts warranting discovery. Dollonne,
2 440 Fed. Appx. at 534.

3 It is unclear whether Mr. Ng has knowledge relevant to the surviving claims
4 for prospective injunctive relief against Kurokawa.³ Therefore, the Court denies
5 the MiraCosta Defendants' request for a protective order.

6
7 **B. Secfor Defendants' Motion to Dismiss**

8 The Secfor Defendants have filed a motion to dismiss the FAC for lack of
9 subject matter jurisdiction or, in the alternative, to dismiss the FAC for failure to
10 state a claim. The Court denies the motion to dismiss for lack of subject matter
11 jurisdiction and grants in part and denies in part the motion to dismiss for failure to
12 state a claim.

13
14 1. Subject Matter Jurisdiction

15 The Secfor Defendants argue that the Court lacks subject matter jurisdiction
16 over this action because the evidence establishes that Plaintiffs do not have valid
17

18 ³ Plaintiffs argue that Mr. Ng's testimony is pertinent to determine whether Kurokawa
19 was acting on behalf of the State or the District for purposes of immunity. Plaintiffs are mistaken.
20 Under Ninth Circuit law, the District is an arm of the state. There are no cases suggesting that
California community college districts act on behalf of the state in some situations and act as
municipal corporations or other political subdivisions in others. Therefore, jurisdictional
discovery is also denied with respect to Kurokawa.

1 claims for copyright infringement. However, Defendants' argument pertains to the
2 merits of Plaintiffs' copyright claims, not the existence of subject matter jurisdiction.
3 "Subject matter jurisdiction does not fail simply because the plaintiff might be
4 unable to ultimately succeed on the merits." Litecubes, LLC v. Northern Light
5 Products, Inc., 523 F.3d 1353, 1360 (9th Cir. 2008).

6 In Litecubes, the Ninth Circuit held that subject matter jurisdiction existed
7 over the plaintiff's patent law claims even though, according to the defendant, the
8 plaintiff had failed to prove that the defendant sold or offered to sell products in the
9 United States or imported products into the United States: "This jurisdiction does
10 not depend on whether Litecubes is able to succeed on the merits in proving all of
11 the elements of patent infringement that it alleged in the complaint." Id. at 1366.
12 Similarly, here, Defendants' arguments regarding the invalidity and/or
13 unenforceability of the copyrights at issue and lack of evidence of infringement do
14 not support dismissal for lack of subject matter jurisdiction.

15

16 2. Failure to State a Claim

17 a. Copyright Infringement

18 To establish copyright infringement, a plaintiff must prove: (1) ownership of
19 a valid copyright; and (2) copying of constituent elements of the work that are
20 original. L.A. Printex Indus., Inc. v. Aeropostale, Inc., 676 F.3d 841, 846 (9th Cir.

1 2012).

2 Plaintiffs allege that they own copyrights to the videos, photographs and
3 course materials, including the works identified in Exhibits A and B to the FAC.
4 (FAC ¶ 56.) Plaintiffs also request that the Court take judicial notice of Certificates
5 of Copyright Registration of a protection course video (screen shots of which are
6 included in Ex. A to the FAC) and two training bulletins (attached as Ex. B to the
7 FAC). (RJN, Exs. 1-3.) On a motion to dismiss, courts may take judicial notice of
8 matters of public record outside the pleadings. MGIC Indem. Corp. v. Weisman,
9 803 F.2d 500, 504 (9th Cir. 1986). Certificates of Copyright Registration are the
10 types of documents that may be judicially noticed under Fed. R. Evid. 201. Warren
11 v. Fox Family Worldwide, Inc., 171 F. Supp. 2d 1057, 1062 (C.D. Cal. 2001).

12 Therefore, the Court grants Plaintiffs' request for judicial notice.

13 Plaintiffs have sufficiently established ownership of the copyrights at issue.
14 Certificates of Copyright Registration are prima facie evidence of the validity of
15 copyright and the facts therein. 17 U.S.C. § 410(c).

16 Defendants argue that the video was not a "work for hire" and that the
17 copyright was fraudulently obtained. However, this argument raises factual issues
18 that are better suited for a motion for summary judgment.

19 Defendants also argue that the training bulletins consist of generic topics and
20 descriptions of courses and lack the originality to obtain copyright protection. The

1 Court disagrees. As explained by the Supreme Court, “the requisite level of
2 creativity is extremely low; even a slight amount will suffice.” Feist Publ’ns, Inc. v.
3 Rural Tel. Serv. Co., Inc., 499 U.S. 340, 345 (1991). Even a directory that contains
4 only facts possesses the requisite degree of creativity if it features an original
5 selection or arrangement. Id. at 348. The bulletins describe the courses, explain
6 who should take the courses, and list representative topics that are covered by the
7 courses. The bulletins, in their selection of language and arrangement, certainly
8 have a level of creativity that is no “so trivial as to be virtually nonexistent.” Feist,
9 499 U.S. at 359.

10 With respect to the video, Plaintiffs have also sufficiently alleged
11 infringement. According to Plaintiffs, Defendants made the video available on their
12 websites. (FAC ¶¶ 60, 62.)

13 However, Plaintiffs have not alleged facts establishing infringement of the
14 copyrights to the bulletins. The FAC is ambiguously worded, but it appears that
15 Plaintiffs are complaining not that the bulletins themselves were reproduced or
16 made available to the public by Defendants, but that “course materials derived”
17 from the bulletins were in Defendants’ classrooms. (FAC ¶ 62.) Copyright
18 protection does not extend to any idea or concept “regardless of the form in which
19 it is described, explained, illustrated, or embodied in such work.” 17 U.S.C. §
20 102(b). For a derivative work to infringe a copyright, “the infringing work must

1 incorporate in some form a portion of the copyrighted work.” Litchfield v. Spielberg,
2 736 F.2d 1352, 1357 (9th Cir. 1984), cert. denied, 470 U.S. 1052 (1985). To the
3 extent Defendants’ courses or course materials merely covered topics or ideas
4 mentioned in the bulletins, Plaintiffs’ copyrights were not infringed.

5 Accordingly, the Court denies the motion to dismiss Plaintiffs’ direct
6 infringement claim to the extent it pertains to the copyrighted video, but grants the
7 motion to the extent it pertains to the bulletins. Plaintiffs have leave to amend their
8 direct infringement claim to provide supporting facts regarding the bulletins.

9
10 b. Secondary Infringement

11 Plaintiffs allege that Defendants are liable as contributory infringers or
12 vicarious infringers. A defendant is a contributory infringer if he or she (1) has
13 knowledge of a third party’s infringing activity; and (2) induces, causes, or
14 materially contributes to the infringing conduct. Perfect 10 v. Visa Int’l Serv.
15 Assoc., 494 F.3d 788, 795 (9th Cir. 2007). To state a claim for vicarious copyright
16 infringement, a plaintiff must allege that the defendant (1) has the right and ability
17 to supervise the infringing conduct; and (2) a direct financial interest in the
18 infringing activity. Id. at 802.

19 The FAC does not allege sufficient facts to support a plausible claim for
20 secondary infringement. The FAC generally alleges:

1 Users of Defendants' websites and classes have infringed, and
2 continue to infringe, Plaintiffs' copyrights, including without limitation
3 those copyrighted works identified in Exhibit A, by reproducing and
4 distributing works owned by Plaintiffs through sharing of the files and
5 materials without authorization from Plaintiffs, or right under law, in
6 violation of the Copyright Act, 17 U.S.C. § 106.

7 (FAC ¶ 69.) The FAC does not allege any specific facts about users of Defendants'
8 websites copying or distributing the video. The mere possibility of infringement by
9 third parties is not sufficient to support a claim for secondary infringement. See,
10 e.g., Luvdarts, LLC v. AT&T Mobility, LLC, 710 F.3d 1068, 1072 (9th Cir. 2013)
11 (explaining that plaintiff must allege actual knowledge of specific acts of
12 infringement to state a claim for contributory copyright infringement); Viesti Assoc.,
13 Inc. v. Pearson Educ., Inc., 2013 WL 4052024, at * 7 (D. Col. Aug. 12, 2013)
14 ("Without factual allegations describing instances of Pearson encouraging or
15 promoting third parties to infringe Viesti's photographs, the complaint does not
16 permit the Court to infer more than the mere possibility of Pearson's misconduct.
17 However, allegations that are merely consistent with the possibility that Pearson is
18 liable fail to state a plausible claim for relief.")

19 Therefore, the Court grants Defendants' motion to dismiss as to Plaintiffs'
20 secondary infringement claim. Plaintiffs may amend this claim to provide factual
allegations regarding secondary infringement.

//

1 c. Breach of Fiduciary Duty against Sweeney

2 Defendants move to dismiss the breach of fiduciary duty claim against
3 Sweeney on the ground that employees who are not officers or directors generally
4 owe no fiduciary duty to their employees. In their opposition, Plaintiffs explain that
5 although a traditional fiduciary relationship does not exist between an employee
6 and employer, all employees owe a duty of loyalty to their employers. Plaintiffs
7 ask the Court to construe their claim for breach of fiduciary duty as a claim for
8 breach of the duty of loyalty.

9 Under California law, although an employee may seek other employment
10 and may even make some preparations to compete while still employed by his
11 employer, the employee may not transfer his loyalty to a competitor. Huong Que,
12 Inc. v. Luu, 150 Cal. App. 4th 400, 414 (2007). “An employee who has any
13 business to transact on his own account, similar to that intrusted to him by his
14 employer, shall always give the preference to the business of the employer.” Cal.
15 Lab. Code § 2863. “The duty of loyalty is breached, and the breach may give rise
16 to a cause of action in the employer, when the employee takes action which is
17 inimical to the best interests of the employer.” Huong Que, 150 Cal. App. 4th at
18 414 (internal quotation marks and citation omitted).

19 It appears that Plaintiffs can state a claim for breach of the duty of loyalty
20 against Sweeney. Plaintiffs allege that while Sweeney was still in ASC’s employ,

1 Sweeney contacted Plaintiffs' customers and was training some of these
2 customers. (FAC ¶ 31.) Plaintiffs also allege that Defendants were using Plaintiffs'
3 videos, photographs, and courses in conjunction with Defendants' business. (FAC
4 ¶ 33.) These allegations, if true, would support a claim for breach of the duty of
5 loyalty.

6 Accordingly, although the Court dismisses Plaintiffs' breach of fiduciary duty
7 claim, Plaintiffs may re-plead their claim as a claim for breach of the duty of loyalty.

8
9 d. Aiding and Abetting Breach of Fiduciary Duty

10 Because the Court dismisses the breach of fiduciary duty claim, the Court
11 also dismisses Plaintiffs' claim for aiding and abetting breach of fiduciary duty.
12 Plaintiffs may re-plead this claim as one for aiding and abetting breach of the duty
13 of loyalty. Plaintiffs have alleged that Sweeney was working with Arroyo to provide
14 competing courses during the time of his employment and that Sweeney and
15 Arroyo had contacted Plaintiffs' customers. (FAC ¶ 31.) These allegations are
16 sufficient to establish aiding and abetting by Arroyo.⁴

17
18
19 ⁴ It appears that Plaintiffs' aiding and abetting claim against the MiraCosta Defendants
20 is based on MiraCosta College presenting the courses after Sweeney violated his duty of
loyalty. The Court does not state an opinion at this time whether these allegations are
sufficient to establish aiding and abetting against Kurokawa, the remaining MiraCosta
Defendant.

1 e. Unfair Competition under California Common Law

2 The common law tort of unfair competition provides an equitable remedy for
3 the “passing off” of one’s goods as those of another.” Bank of the West v. Superior
4 Court, 2 Cal. 4th 1254, 1263 (1992). As explained by the California Court of
5 Appeal:

6 The purpose of the equitable doctrine is to prevent unfair competition
7 through misleading or deceptive use of a term exclusively identified
8 with the claimant's product and business (see Academy of Motion
9 Picture, etc. v. Benson, supra., 15 Cal.2d 685, 689-690), affording
10 judicial protection whenever “the name and the business [through
11 continued association] become synonymous in the public mind; and
submerges the primary meaning of the name ... in favor of its meaning
as a word identifying that business.” (Visser v. Macres, (1963) 214
Cal.App.2d 249, 253 [29 Cal.Rptr. 367].) The crucial element is the
mental association in the buyer's mind between the mark used in
connection with the product and a single source of origin.

12 North Carolina Dairy Foundation, Inc. v. Foremost-Mackesson, Inc., 92 Cal. App.
13 3d 98, 108 (1979).

14 Plaintiffs allege that the MiraCosta Community College District represented
15 to the public that the High Threat Protection Specialist program would be
16 conducted at the “Alpine Training Center,” located at 19150 High Glen Road,
17 Alpine, CA 91901. (FAC ¶ 95.) Plaintiffs further allege that the representation
18 was false and that the Alpine Training Facility is used by ASC and the Recce Group
19 for their own training programs. (FAC ¶ 96.) Plaintiffs claim that Sweeney and
20 Arroyo aided and abetted the misrepresentation by failing to correct the false

1 information found in the Work Skills Program Bulletin. (FAC ¶ 98.)

2 However, there is no allegation that the “Alpine Training Center” acquired a
3 secondary meaning such that the public associates the Alpine Training Center with
4 Plaintiffs. Therefore, the erroneous information does not necessarily rise to the
5 level of Defendants passing off their training course as that of Plaintiffs.

6 In their opposition, Plaintiffs also point to allegations that Defendants used
7 Plaintiffs’ videos, photographs and courses on their various websites, and used
8 American Shooting Center’s business address as its California business address
9 without Plaintiffs’ knowledge or consent. But misappropriation of intellectual
10 property is not the same thing as causing public confusion regarding the source of
11 goods or services. As for the business address, it is unclear under what
12 circumstances Defendants used ASC’s business address and whether it was likely
13 to cause confusion to the public.

14 Plaintiffs have not alleged sufficient facts to support a claim for unfair
15 competition under California law. Therefore, this claim is also dismissed with leave
16 to amend.

17
18 f. Conversion against Patrick Sweeney

19 Plaintiffs allege that at the time of Sweeney’s termination, he had in his
20 possession two laptop computers purchased by ASC. (FAC ¶ 101.) Sweeney

1 used these computers to develop and store the training courses. (Id.) Upon
2 Sweeney's termination, ASC requested the return of the two laptop computers, but
3 Sweeney refused to the return the laptops, claiming that they no longer existed.
4 (FAC ¶ 102.) According to Plaintiffs, they were harmed by Sweeney's failure to
5 return the laptops because ASC lost the benefit of the computers and no longer
6 had access to the teaching materials and programs developed by Sweeney for
7 Plaintiffs. (FAC ¶ 103.)

8 Under California law, the tort of conversion has three elements:
9 (1) ownership or right to possession of property; (2) wrongful disposition of the
10 property right; and (3) damages. Kremen v. Cohen, 337 F.3d 1024, 1029 (9th Cir.
11 2003). The tort of conversion not only applies to tangible objects such as
12 computers, but also to intangible property or intellectual property, such as
13 customer information or business plans, that has a connection to a document. See
14 Terarecon, Inc. v. Fovia, Inc., 2006 WL 1867734 (N.D. Cal. July 6, 2006) (finding
15 that Plaintiff sufficiently alleged conversion of computer code, confidential
16 information concerning contracts with customers, business plans, and product
17 plan).

18 Plaintiffs have sufficiently stated a claim for conversion of the laptops and
19 the teaching materials and programs. Therefore, Defendants' motion is denied as
20 to this claim.

1 g. California Penal Code § 496

2 Plaintiffs allege that Defendants violated Cal. Penal Code § 496 by using the
3 courses developed by Sweeney for Plaintiffs, refusing to return the courses,
4 concealing the courses, and refusing to remove copyrighted materials from their
5 websites. (FAC ¶ 106.) In their Opposition, Plaintiffs also rely on their allegations
6 regarding the two laptop computers and the intellectual property contained on
7 them. (Opp. at 17:28-18:3.)

8 Cal. Penal Code § 496(a) provides:

9 Every person who buys or receives any property that has been stolen
10 or that has been obtained in any manner constituting theft or extortion,
11 knowing the property to be so stolen or obtained, or who conceals,
12 sells, withholds, or aids in concealing, selling, or withholding any
13 property from the owner, knowing the property to be so stolen or
14 obtained, shall be punished by imprisonment in a county jail for not
15 more than one year, or imprisonment pursuant to subdivision (h) of
16 Section 1170.

17 Section 496(c) provides that any person who has been injured by a violation of
18 subdivision (a) may bring an action for three times the amount of actual damages,
19 if any, sustained by the plaintiff, costs of suit, and reasonable attorney's fees.

20 "Anything that can be the subject of theft can also be property under section
496." People v. Gopal, 171 Cal. App. 524, 541 (1985). The laptop computers are
certainly property that can be the subject of theft and were allegedly concealed
and withheld by Defendants. It appears that the documents on the computers may
also be deemed property subject to theft under the statute. See, e.g., People v.

1 Dolbeer, 214 Cal. App. 2d 619, 623 (1963) (holding that list of telephone
2 subscribers was property subject to theft, embezzlement, or receiving).

3 Accordingly, the Court denies Defendants' motion to dismiss as to this claim.
4

5 **III. CONCLUSION**

6 For the reasons discussed above, the MiraCosta Defendants' motion to
7 dismiss [Doc. 81] is **GRANTED IN PART** and **DENIED IN PART**. Plaintiffs' claims
8 against the MiraCosta Defendants are **DISMISSED WITH PREJUDICE** with the
9 exception of Plaintiffs' claims against Linda Kurokawa, in her official capacity, for
10 prospective injunctive relief.

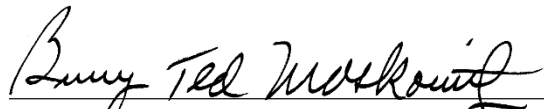
11 The Court rules on the joint motion for discovery [Doc. 87] as follows: the
12 Court denies Plaintiffs' request for jurisdictional discovery and also denies the
13 MiraCosta Defendants' request for a protective order prohibiting Plaintiffs from
14 deposing Charlie Ng.

15 The Secfor Defendants' motion to dismiss [Docs. 78, 79] is **GRANTED IN**
16 **PART** and **DENIED IN PART**. The motion is granted as to the first cause of action
17 (copyright infringement) to the extent it alleges infringement of Plaintiffs' copyrights
18 to the bulletins, second cause of action (secondary infringement), third cause of
19 action (breach of fiduciary duty), fourth cause of action (aiding and abetting breach
20 of fiduciary duty), and fifth cause of action (unfair competition under California

1 common law). The motion is denied as to the sixth cause of action (conversion)
2 and seventh cause of action (Cal. Penal Code § 496). The Court grants Plaintiffs
3 leave to file a Second Amended Complaint (“SAC”) remedying the defects
4 identified above. Plaintiffs must file their SAC within 30 days of the entry of this
5 Order. If Plaintiffs do not file a SAC within 30 days, Defendants must file their
6 answer to the FAC within 20 days after expiration of the 30 days. If Plaintiffs file a
7 SAC, Defendants shall respond to the SAC within 30 days of the filing of the SAC.

8 **IT IS SO ORDERED.**

9 Dated: March 28, 2016

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11 Barry Ted Moskowitz, Chief Judge
12 United States District Court
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