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As of: Nov 04, 2010

AMC TECHNOLOGY, L.L.C., Plaintiff v. SAP AG, SAP AMERICA, INC., and  
SAP LABS, L.L.C., Defendants.

CIVIL ACTION 05-CV-4708

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF  
PENNSYLVANIA

2005 U.S. Dist. LEXIS 27095; 78 U.S.P.Q.2D (BNA) 1834

November 3, 2005, Decided

November 9, 2005, Filed; November 9, 2005, Entered

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** Plaintiff software company sued defendants, a former licensee and its subsidiaries, for copyright infringement in violation of 17 U.S.C.S. § 501, breach of contract, and misappropriation of trade secrets. The company sought a preliminary injunction based on its claims of contributory and vicarious copyright infringement.

**OVERVIEW:** The parties entered into a licensing agreement that allowed defendants to sublicense the company's software to defendants' customers as a product embedded into defendants' software. After the parties terminated the licensing agreement, defendants issued an upgrade guide to their customers that provided instructions for copying the company's software code from earlier versions of defendants' software into a new version. The court found that the company had established a reasonable likelihood of success on its contributory infringement claim, as providing customers with instructions that would enable them to copy the company's code constituted inducement to copyright infringement; defendants were only allowed to distribute the code as an embedded product. Given a reasonable likelihood of success on the merits, a presumption of irreparable harm arose, and no stronger showing was needed given that the software was central to the company's operations. Defendants' claim that they could face lawsuits from their customers did not outweigh the presumed harm to

the company, nor was there a showing that an injunction would cause defendants' customers great harm.

**OUTCOME:** The company's motion for a preliminary injunction was granted. Defendants were preliminarily enjoined from describing or purporting to authorize the copying of the company's code into the new version of defendants' software; defendants also were ordered to retrieve any copies of the upgrade guide that had been distributed.

**CORE TERMS:** software, customer, user, license, termination, upgrade, preliminary injunction, licensing, copyright infringement, irreparable harm, embedded, connector, sublicense, contributory, infringement, distribute, expiration, injunction, web, multi-channel, functionality, interaction, productive, licensee, server, email, registration, copyrighted, dictionary, installed

**LexisNexis(R) Headnotes**

*Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions*  
[HN1]The decision to grant or refuse a preliminary injunction is within the discretion of a district court.

*Civil Procedure > Remedies > Injunctions > Elements*  
*Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions*

***Copyright Law > Civil Infringement Actions > Remedies > Injunctive Relief***

[HN2]To obtain a preliminary injunction for copyright infringement, a plaintiff must show: (1) that it is reasonably likely to succeed on the merits of its copyright infringement claim and (2) a likelihood that it will suffer irreparable harm if the injunction is denied. Other issues to consider if relevant are (3) the likelihood of irreparable harm to the non-moving party and (4) the public interest. Additionally, in deciding whether to grant or deny a preliminary injunction, the district court should also consider the possibility of harm to other interested persons.

***Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions***

[HN3]One of the goals of the preliminary injunction analysis is to maintain the status quo, defined as the last, peaceable, noncontested status of the parties.

***Copyright Law > Subject Matter > Statutory Copyright & Fixation > Original Works of Authorship***

[HN4]Copyright law protects original works of authorship fixed in any tangible medium of expression. 17 U.S.C.S. § 102.

***Copyright Law > Subject Matter > Literary Works > Computer Programs***

***Copyright Law > Subject Matter > Statutory Copyright & Fixation > Original Works of Authorship***

[HN5]It is settled law that software can be copyrighted and the copyright can be infringed.

***Copyright Law > Owner Rights > General Overview***

[HN6]Subject to certain enumerated exceptions within the Copyright Act, copyright owners have the exclusive right to: (1) reproduce the copyrighted work; (2) prepare derivative works; and (3) distribute copies. 17 U.S.C.S. § 106.

***Copyright Law > Civil Infringement Actions > Elements > Copying by Defendants***

***Copyright Law > Civil Infringement Actions > Elements > Ownership***

[HN7]To prove copyright infringement pursuant to 17 U.S.C.S. § 501, a plaintiff must demonstrate two elements: (1) ownership of a copyright and (2) copying by the defendant.

***Copyright Law > Civil Infringement Actions > Liability of Related Defendants > Contributory Infringement***

[HN8]One infringes a copyright contributorily by intentionally inducing or encouraging direct infringement. Contributory infringement occurs when, with knowledge of the infringing activity, a defendant induces, causes or materially contributes to the infringing activity of another.

***Copyright Law > Civil Infringement Actions > Liability of Related Defendants > Vicarious Liability***

[HN9]One infringes a copyright vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it.

***Copyright Law > Civil Infringement Actions > Liability of Related Defendants > Contributory Infringement***

[HN10]Evidence of active steps taken to encourage direct copyright infringement, such as instructing how to engage in an infringing use, show an affirmative intent that a product be used to infringe.

***Copyright Law > Civil Infringement Actions > Defenses > General Overview***

***Copyright Law > Civil Infringement Actions > Liability of Related Defendants > Contributory Infringement***

[HN11]A defendant in a contributory copyright infringement case cannot use as a defense its own grant of a sublicense exceeding the scope of its license.

***Contracts Law > Contract Interpretation > Ambiguities & Contra Proferentem***

[HN12]Under Pennsylvania contract law, (1) mere disagreement between the parties over the meaning of a term is insufficient to establish that term as ambiguous; (2) each party's proffered interpretation must be reasonable, in that there must be evidence in the contract to support the interpretation beyond the party's mere claim of ambiguity; and (3) the proffered interpretation cannot contradict the common understanding of the disputed term or phrase when there is another term that the parties could easily have used to convey this contradictory meaning.

***Contracts Law > Contract Interpretation > General Overview***

[HN13]Under Pennsylvania contract law, when a contract is unambiguous, the focus of contract interpretation is on the terms of the agreement as manifestly expressed rather than, perhaps, as silently intended. The paramount

goal of contractual interpretation is to give effect to the intent to the parties. In determining the intent of the parties to a written agreement, the court looks to what they have clearly expressed, for the law does not assume that the language of the contract was chosen carelessly.

***Contracts Law > Contract Interpretation > Ambiguities & Contra Proferentem***

[HN14]Contractual language is ambiguous if it is reasonably susceptible of different constructions and capable of being understood in more than one sense.

***Contracts Law > Contract Interpretation > Parol Evidence***

[HN15]When the language of a written contract is clear and unequivocal, its meaning must be determined by its contents alone. Only if the words used are ambiguous may a court examine the surrounding circumstances to ascertain the intent of the parties.

***Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Affirmative Defenses > General Overview***

[HN16]To prevail on a laches defense, a defendant must prove inexcusable delay in instituting suit and prejudice resulting to the defendant from such delay.

***Civil Procedure > Remedies > Injunctions > Elements > Irreparable Harm***

***Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions***

[HN17]In deciding whether to issue a preliminary injunction, a court must consider whether the movant will suffer irreparable harm in the absence of preliminary relief preserving the status quo until the merits of the case can be tried. Irreparable harm is an injury that cannot be redressed by a legal or equitable remedy following a trial. An irreparable injury is one that is not remote or speculative, but actual and imminent and for which monetary damages cannot adequately compensate.

***Civil Procedure > Remedies > Injunctions > Elements > Irreparable Harm***

***Copyright Law > Civil Infringement Actions > Remedies > Injunctive Relief***

***Evidence > Inferences & Presumptions > Creation of Presumptions***

[HN18]For purposes of injunctive relief, a showing of a prima facie case of copyright infringement, or reasonable likelihood of success on the merits, raises a presumption

of irreparable harm. The presumption may be relaxed when the alleged infringement is of material peripheral to the copyright holder's business, in which case the United States Court of Appeals for the Third Circuit requires a stronger showing of irreparable harm as the copyright holder's likelihood of success on the merits wanes. No stronger showing is needed where the copyrighted material is central to the essence of the plaintiff's operations.

***Evidence > Hearsay > Exemptions > Statements by Party Opponents > Vicarious Statements***

[HN19]Admissions by attorneys are admissible against their clients, where the attorney acted within the scope of his authority. Fed. R. Evid. 801(d)(2)(D).

***Civil Procedure > Remedies > Injunctions > Elements > Balance of Hardship***

***Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions***

[HN20]For purposes of deciding whether to issue a preliminary injunction, in some cases, the United States Court of Appeals for the Third Circuit has considered the potential harm to other interested persons in evaluating the balance of hardships.

***Copyright Law > Civil Infringement Actions > Remedies > Injunctive Relief***

[HN21]For purposes of awarding injunctive relief in a copyright case, the public interest can only be served by upholding copyright protections and, correspondingly, preventing the misappropriation of the skills, creative energies, and resources which are invested in a protected work.

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**JUDGES:** Norma L. Shapiro, S.J.

**OPINION BY:** Norma L. Shapiro

**OPINION**

**MEMORANDUM AND ORDER**

**Norma L. Shapiro, S.J.**

**November 3, 2005**

Plaintiff AMC Technology, L.L.C. ("AMC"), a software company, brought this action against its former licensee, SAP AG and its subsidiaries, SAP America, Inc., and SAP Labs. <sup>1</sup> In its complaint, AMC alleged counts [\*2] of direct, contributory, and vicarious copyright infringement, breach of contract, and misappropriation of trade secrets. With respect to copyright infringement, AMC alleged that: (1) the SAP application called "mySAP CRM 5.0," soon to be released to the public, contained copyrighted AMC code that SAP was not authorized to copy; and (2) SAP was about to distribute detailed instructions to its customers that would allow them to copy the AMC Multi-Channel Management Suite ("MCMS") code for use with mySAP CRM 5.0..

<sup>1</sup> This opinion will refer to the three SAP entities collectively as "SAP" except where more specificity is needed.

Together with its complaint, AMC filed a motion for a preliminary injunction based on the direct, contributory, and vicarious copyright infringement claims to enjoin SAP from: (1) including AMC code in its product; and (2) instructing, describing, or purporting to authorize the copying of AMC code by users of mySAP CRM 5.0 and any future versions of the SAP software.

At a hearing on the [\*3] motion for preliminary injunction, AMC stated that it was satisfied AMC code would not be included in mySAP CRM 5.0, so it would dismiss the direct infringement claim. The remaining issue is whether AMC is entitled to a preliminary injunction on its contributory or vicarious copyright infringement claims. The court will grant the preliminary injunction because AMC has a reasonable likelihood of success on the merits of its contributory copyright infringement

claim, will otherwise suffer irreparable harm, and the harm to AMC outweighs the harm to SAP by granting the injunction. Therefore, the action is in the public interest. An appropriate Order follows.

**I. FACTUAL BACKGROUND**

**A. The Parties and Their Products**

AMC Technology, L.L.C., is a software company based in Virginia. SAP AG is a German software company and the parent corporation of SAP America and SAP Labs. SAP develops, markets and sells business software.

The SAP product at issue is "mySAP CRM." "CRM" stands for "customer relationship management." Companies use mySAP CRM to rationalize and improve various aspects of their communications with customers. SAP states that a company's employees can use mySAP CRM [\*4] to place customers' orders for the company's products; report service problems with the products; plan and execute marketing campaigns, including telemarketing programs; and generate reports about sales volumes and other data.

One element of mySAP CRM is the "CRM Interaction Center," used by call center agents to manage and track their interactions with customers by retrieving information about the customers, taking purchase orders and other information and transmitting it to other departments within the company, and so on.

AMC makes and sells a product called "Multi-Channel Management Suite" or "MCMS." MCMS adds to programs such as mySAP CRM the ability to handle email and web chat interactions with customers in addition to telephone calls. AMC MCMS connects directly to the communication channel servers (e.g., telephone switches and email servers) and is able to check agent availability, queue and route all incoming customer phone calls, emails, and web chat communications, and allow an agent to respond to all customers from the same computer, regardless of the channel used.

The AMC MCMS software has several components. One part of the software is installed on the user's computer [\*5] and provides user interface. Declaration of Johnnie Wilkenschildt, Development Manager of mySAP CRM Interaction Center, in Support of SAP's Opposition to Motion for Preliminary Injunction ("Wilkenschildt Decl.") P 12. A second part is installed on a server rather than the user's own computer and allows a particular agent to receive phone calls and messages or stops calls and messages from going to that agent. *Id.* The third part of the AMC MCMS software-"connectors"-allows it to interact with a company's telephone switch or email or web chat server. *Id.* Each different connector is designed to work with a particular

manufacturer's switch or server. Declaration of Wolfgang Bauer, Product Management Specialist, SAP AG, in Support of SAP's Opposition to Motion for Preliminary Injunction ("Bauer Decl.") P 4; Wilkenschildt Decl. P 9. Different organizations using mySAP CRM and AMC MCMS require different connectors, depending on the organization's intended use (e.g., for telephone, email, web chat, or a combination) and other variables, such as the organization's provider of telephone switchboard services and email server software. Bauer Decl. P 4.

#### B. The Agreement Between [\*6] the Parties

Until 2001, SAP offered only telephone communication management capability with mySAP CRM. On September 1, 2001, wishing to expand the capabilities of the CRM Interaction Center to include email and web chat, SAP entered into a licensing agreement with AMC (the "OEM Agreement") for AMC's MCMS software.

The OEM Agreement gave SAP the right to sublicense certain parts of AMC MCMS "as a product embedded into SAP software." OEM Agreement § 3.2. A subsequent amendment also gave SAP the right to license other parts of the MCMS code, namely, the "connectors," as "a complementary product to SAP's software." OEM Agreement, Amendment 1, §§ I-II.

AMC MCMS is only one component of a complex software package; not every user of mySAP CRM immediately (or ever) makes use of AMC MCMS. The payment terms of the OEM Agreement reflected this. Under the contract, SAP paid AMC only for "productive users." OEM Agreement, Attachment A, P 2.1. In order for a user to become "productive," the user had to activate the AMC software by registering his license with AMC and obtaining an activation key from AMC (or from SAP during the one-year period between March 1, 2003 and February 29, 2004). [\*7] Declaration of Georg Schrader, Vice President, Corporate Third Party Licensing, SAP AG, in Opposition to the Motion for Preliminary Injunction ("Schrader Decl.") P 4. (Additionally, the relevant connectors had to be installed on the user's server. Bauer Decl. P 4.) The agreement provided for SAP to pay AMC an annual license fee of one million dollars to cover 10,000 "productive users," and \$ 100 for each user beyond that number. OEM Agreement, Attachment A, P 2.1. AMC was to report to SAP periodically the number of registrations so SAP would know how many "productive users" existed. *Id.*; Schrader Decl. P 4. During the one-year period that SAP handled registration, SAP gave customers wishing to become "productive users" of AMC MCMS a "Master License Key" it had received from AMC. Schrader Decl. P 5. SAP paid AMC \$ 500,000 for the use of the Master Key. *Id.* P 6. Both the individual registration keys provided from September 2001 to March 2003 and from March 2004 to the

present and the master key provided between March 1, 2003 and February 29, 2004 were for licenses with "no expiration". Bauer Decl. P 7-9; Schrader Decl. P 7.

The OEM Agreement also contains a series of provisions [\*8] addressing the relationship between the parties after termination of any part of the agreement.

§ 11.3 Termination of this Agreement shall not affect any of the individual sublicense agreements between End Users and SAP. Except for cases of termination for cause by Licensor, SAP remains entitled to make copies of the Software Products to the extent required in order to fulfill all contracts with End Users and/or Applicable Entities concluded in the ordinary course of business prior to the date on which the termination becomes effective. <sup>2</sup>

§ 11.4 Upon the expiration of this Agreement or any termination, SAP shall be deemed to be granted a non-exclusive, perpetual license to use, modify, distribute and sublicense the Software Products with the then current version of SAP Software, as it exists at the time of such expiration or termination and not with future versions on the same basis as is said [*sic*] forth in Section 3 hereof, and SAP shall pay a royalty fee to Licensor of \$ 100 per Productive User up to the maximum Software Product Fee of USD \$ 4,000.000. . . .

2 On the official copy of the OEM Agreement, both this section number and the next one are inserted by hand in the margin and followed by a question mark. The parties have adopted this numbering and so has the court.

[\*9] In December 2003, AMC and SAP terminated the sublicensing portion of the OEM Agreement, effective March 1, 2004, and enacted Amendment No. 7 to the OEM Agreement:

#### 2. Term and Termination

c) Section 11 of the Original Agreement shall apply concerning the termination for the Software Products MCMS described in Attachment A.

d) In addition the parties agree that for each End User licensing MCMS as part of the SAP Software (which shall include only CRM 4.0 for purposes of Section 11 of the Original Agreement) after February 29, 2004, [AMC] shall report to SAP [various identifying information for new "productive users"]. . . .

The portion of the OEM Agreement regarding SAP's right to license the connectors (Amendment 1 to the OEM Agreement) remained in force.

### C. The Dispute

When SAP planned the release of the next version of its software, mySAP CRM 5.0, SAP considered how to ease the transition for mySAP CRM customers using AMC MCMS as their multi-channel management software. SAP had provided its mySAP CRM customers with different multi-channel management options, one of which was its own program, "Web-based IC" or "Web Client." Testimony of A. Uliano, [\*10] President and Chief Technology Officer of AMC, 10/11/2005, Transcript of October 11, 2005 Hearing ("Hr. Tr.") at 35-36. "Web-based IC in mySAP CRM version 4.0 contained features that provide the same or similar functionality to MCMS." SAP's Complaint for Declaratory Relief in Case No. 05-04595, E.D. Pa., 8/30/2005, P 12. Nonetheless, SAP wished to enable those customers who had already licensed MCMS with an earlier version of mySAP CRM to keep using MCMS.

SAP instructed its developers that it would no longer issue MCMS with any new version of mySAP CRM, but that licensees of MCMS for use with earlier versions of mySAP CRM had the right to continue using it with any new version. Wilkenschildt Decl. P 22. During the spring and early summer 2005, its developers worked to remove all MCMS code from mySAP CRM 5.0 and drafted a set of instructions that would allow existing customers upgrading to mySAP CRM 5.0 to copy into the new version the AMC MCMS code they had received with an earlier version of mySAP CRM. See "Component Upgrade Guide," Pl's Exh. 16; Wilkenschildt Decl. PP 23, 27-29. In this way, customers who had used the AMC MCMS as their multi-channel management software within [\*11] earlier versions of mySAP CRM would be able to use it with mySAP CRM 5.0. Wilkenschildt Decl P 34.

On May 12, 2005, an AMC developer, Aimee Stinson, contacted an SAP developer, Satit Nuchitsiripattara, to ask when the process of ensuring compatibility of MCMS with the new mySAP CRM would take place. Def's Exh. 54. Nuchitsiripattara informed Stinson that

mySAP CRM 5.0 would not include MCMS, but he would appreciate her assistance in ensuring that the instructions he was preparing for mySAP CRM 5.0 customers to use previously obtained MCMS code would work as planned. Wilkenschildt Decl. P 32; Def.'s Exh. 54. Stinson replied that she had "confirmed with Tony" (Anthony Uliano, AMC's CEO) that mySAP CRM would not include MCMS; she added that she would be "happy to review the upgrade procedure." *Id.* This is how Uliano learned of SAP's plans to instruct its customers on migrating AMC's MCMS software from mySAP CRM 4.0 to mySAP 5.0. Uliano Testimony, Hr. Tr. 43-44. On June 24, 2005, Wilkenschildt asked Nuchitsiripattara to send a draft of the "Component Upgrade Guide" to Stinson for her feedback. Wilkenschildt Decl. P 36. Uliano then reviewed the draft. Uliano Testimony, Hr. Tr. at 48.

[\*12] On June 29, 2005 Uliano expressed his concern to SAP that the planned Component Upgrade Guide was a sign it was "finding ways to circumvent" the OEM Agreement. Def.'s Exh. 54. On July 7, 2005, Uliano wrote more explicitly to SAP officials that:

AMC does not agree with SAP's action to instruct customers, partners, and SAP employees on how to copy AMC source code from CRM 4.0 to CRM 5.0. The right to use our software in CRM 5.0 is strictly prohibited in our last Amendment (number 7). . . . It is very important for SAP to prevent these instructions from being released until such time that SAP has secured the rights to license our software for customers using CRM 5.0.

Def.'s Exh. 54.

On August 30, 2005, SAP AG filed an action in this court for a declaratory judgment that SAP could issue instructions allowing existing users of mySAP CRM 3.0, 3.1 or 4.0 to migrate the AMC software from earlier mySAP CRM versions into mySAP CRM 5.0. A week later it voluntarily dismissed the action.

On August 31, 2005, AMC filed a complaint and the motion for a preliminary injunction presently before the court.<sup>3</sup> The issue before the court at this time is whether a preliminary injunction [\*13] should issue on the basis of AMC's contributory and vicarious copyright infringement claims.

<sup>3</sup> This court has jurisdiction over the action under 28 U.S.C. § 1331 and jurisdiction over SAP through the venue clause of the OEM Agreement ( § 17.5). At the hearing, counsel for SAP spe-

cifically stated that SAP AG submitted to the jurisdiction of the court and had no objection to it. Hr. Tr. 116:11-117.8.

MySAP CRM 5.0 is scheduled to be released on a limited basis at the end of October 2005. Wilkenschildt Decl. P 6. Its full release is scheduled for the end of the second quarter of 2006. Uliano Testimony, 10/11/2005 Hr. Tr. 17:13-15.

## II. DISCUSSION

[HN1]The decision to grant or refuse a preliminary injunction is within the discretion of the district court. Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240 (3d Cir. 1983). [HN2]To obtain a preliminary injunction for copyright infringement, the plaintiff must show: "(1) that it is reasonably likely to succeed [\*14] on the merits of its copyright infringement claim and (2) a likelihood that it will suffer irreparable harm if the injunction is denied. Other issues to consider if relevant are (3) the likelihood of irreparable harm to the non-moving party and (4) the public interest." Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342 F.3d 191, 196 (3d Cir. 2003) (internal citations omitted). Additionally, in deciding whether to grant or deny a preliminary injunction, the district court should also consider the possibility of harm to other interested persons. Anderson v. Davila, 37 V.I. 496, 125 F.3d 148, 159 (3d Cir. 1997). [HN3]"One of the goals of the preliminary injunction analysis is to maintain the status quo, defined as the last, peaceable, noncontested status of the parties." Opticians Ass'n of Am. v. Indep. Opticians of Am., 920 F.2d 187, 197 (3d Cir.1990).

### A. Reasonable probability of success on the merits

[HN4]Copyright law protects "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. § 102. [HN5]It is settled law that software can be copyrighted and the copyright can be infringed. [\*15] Apple Computer, 714 F.2d at 1247-49. [HN6]Subject to certain enumerated exceptions within the Copyright Act, copyright owners have the exclusive right to: (1) reproduce the copyrighted work; (2) prepare derivative works; and (3) distribute copies. 17 U.S.C. § 106. [HN7]To prove copyright infringement pursuant to 17 U.S.C. § 501, the plaintiff must demonstrate two elements: (1) ownership of a copyright and (2) copying by the defendant. Dan Things From Denmark v. Russ Berrie & Co., 290 F.3d 548, 561 (3d Cir. 2002). [HN8]"One infringes contributorily by intentionally inducing or encouraging direct infringement." Metro-Goldwyn Mayer Studios Inc. v. Grokster, 162 L. Ed. 2d 781, 125 S. Ct. 2764, 2776 (2005) (internal citations omitted). See also Columbia Pictures Indus., Inc. v. Redd Horne, Inc., 749 F.2d 154, 160 (3d Cir. 1984) (contributory infringement occurs

when, "with knowledge of the infringing activity, [the defendant] induces, causes or materially contributes to the infringing activity of another.") [HN9]One infringes vicariously "by profiting from direct infringement while [\*16] declining to exercise a right to stop or limit it." Metro-Goldwyn Mayer, 125 S. Ct. at 2776. Providing users with instructions enabling them to copy AMC code would constitute inducement to copyright infringement. [HN10]"Evidence of active steps taken to encourage direct infringement, such as . . . instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe . . ." *Id.* at 2779. SAP does not dispute that AMC MCMS is protected by copyright<sup>4</sup> or that SAP's distribution of the Component Upgrade Guide constitutes contributory copyright infringement if the recipients of the guide, current users of mySAP CRM 3.0, 3.1, or 4.0, do not otherwise have the right to copy AMC's MCMS software. Because there is no question that the distribution of the Component Upgrade Guide induces SAP's customers to copy AMC's MCMS code, there is no need to analyze AMC's vicarious infringement theory.

4 AMC has submitted a Certificate of Registration for its MCMS Software. Pl.'s Exh. 17. Registration certificates constitute "prima facie evidence of the originality of the work and the facts stated in the certificates." 17 U.S.C. § 410.

[\*17] Whatever rights SAP's licensees may have, they are valid with respect to AMC's MCMS software only to the extent that they do not exceed SAP's rights, i.e., that they are "in compliance with" the OEM Agreement.<sup>5</sup> See OEM Agreement § 5.2. [HN11]A defendant in a contributory copyright infringement case cannot use as a defense its own grant of a sublicense exceeding the scope of its license. The issue before the court is whether SAP could grant its licensees the right to copy MCMS from an earlier version of mySAP CRM to mySAP CRM 5.0.

5 Section 5.2 of the OEM reads: "SAP shall enter into legally enforceable, written, license agreements with each of its customers . . . containing the terms and conditions under which the Software Products are sublicensed *in compliance with this Agreement*" (emphasis added).

The OEM Agreement clearly does not allow users of earlier versions of mySAP CRM to copy AMC's MCMS code and use it with mySAP CRM 5.0. SAP contends that the OEM Agreement only bars it from issuing sublicenses [\*18] of MCMS to *new* users acquiring licenses to mySAP CRM 5.0 as their first mySAP CRM product, but customers who have already purchased a license for an earlier version of mySAP CRM have the right to con-

tinue to use their "no expiration" AMC MCMS sublicenses, even if the MCMS software is operating with an newer version of mySAP CRM. SAP claims the users are authorized to use the software under perpetual licences, so assisting them to do so cannot be unlawful, because there cannot be contributory infringement in the absence of direct infringement by a third party.

The disagreement between the parties can be reduced to two major issues: 1) the scope of SAP's sublicensing rights during the term of validity of the OEM Agreement (Section 3.2); and 2) SAP's rights after the termination of the contract (Section 11.4). The OEM Agreement is governed by Pennsylvania contract law. See OEM Agreement, § 17.5.

**(i) Scope of SAP's Sublicensing Rights**

Section 3.2 of the OEM Agreement reads:

Licensor hereby grants to SAP the non-exclusive right to make copies of the master media copies of the Software Products and sublicense and distribute them to End Users . . . as a product [\*19] embedded into SAP Software. Such sublicenses shall be granted by SAP in the same license agreement by which SAP licenses SAP Software to End Users. . . .

The parties disagree on the meaning of the word "embedded," not defined in the contract. AMC argues it means "encapsulated in" or "hosted in" a larger program, and that this limits SAP's use and distribution rights by mandating that mySAP CRM and MCMS must be distributed together if at all. <sup>6</sup> SAP argues it is not a limitation on its sublicensing rights, and simply means "licensed together with." <sup>7</sup> Despite the parties' apparent disagreement, the word "embedded" is not ambiguous. See *Bohler-Uddeholm America Inc. v. Ellwood Group, Inc.*, 247 F.3d 79, 94-95 (3d Cir. 2001) [HN12](under Pennsylvania contract law, "(1) mere disagreement between the parties over the meaning of a term is insufficient to establish that term as ambiguous; (2) each party's proffered interpretation must be reasonable, in that there must be evidence in the contract to support the interpretation beyond the party's mere claim of ambiguity; and (3) the proffered interpretation cannot contradict the common understanding of the disputed term or phrase [\*20] when there is another term that the parties could easily have used to convey this contradictory meaning.") According to *Webster's Third International Dictionary* (1993), "to embed" is "to enclose closely in or as if in a matrix . . . ; to surround closely." The Microsoft Computer Dictionary defines "embedded" as "in software,

pertaining to code or a command that is built into its carrier." Microsoft Press, *Microsoft Computer Dictionary* (4th Ed. 1999). There is no evidence either in common use or in the contract to support SAP's interpretation. <sup>8</sup> The contract contains evidence *contrary* to SAP's position: the very next sentence of Section 3.2 goes on to specify, as an *additional* requirement, that the sublicenses to AMC's software must be "granted by SAP in the same license agreement by which SAP licenses SAP Software to End Users." OEM Agreement, § 3.2.

6 Q What is embedding?

A Well, embedding in a software sense is when-is when you have a larger program that has a separate program encapsulated in it. So you have a larger program that hosts a smaller program. And in this case, the [SAP] interaction center as a program hosted our MCMS as a program.

THE COURT: It comes with it?

THE WITNESS: It comes with it, yes, your Honor.

Testimony of A. Uliano, Hr. Tr. 58:16-22.

[\*21]

7 Q. You mention embedded software. What does embedded software mean? A. Embedded software, first of all, means that we are licensing an SAP product towards a customer, and this includes third-party software as part of the SAP product licenses. So the customer is not licensing the third-party product on its own, stand alone.

Q. Does the upgrade procedure change that?

A The embedding, itself, is not changed.

Testimony of G. Schrader, Tr. 129:25-130:6, 130:9-10.

Later, Mr. Schrader testified that "embedded" means that "it can only be used together." See Hr. Tr. 176, 181-82.

<sup>8</sup> No general or technical dictionary consulted by the court supports SAP's understanding of "embedding" as "licensing together," although the particular context of software "embedded" in other software is not specifically mentioned in any of the other sources consulted. See Webster's New World Computer Dictionary (10th Ed. 2004); Douglas A. Downing et al., *Dictionary of Computer and Internet Terms* (8th Ed. 2003), Sybil P. Parker ed. in chief, McGraw-Hill Concise Encyclopedia of Science and Technology (4th Ed. 1998).



## [\*22] (ii) SAP's Rights After Termination

Section 11.4 of the OEM Agreement provides:

Upon the expiration of this agreement or any termination, SAP shall be deemed to be granted a non-exclusive, perpetual license to *use, modify, distribute and sublicense* the Software Products with the *then current version* of SAP Software, as it exists at the time of such expiration or termination and *not with future versions* on the same basis as is said [*sic*] forth in Section 3 thereof [and pay AMC specified royalty fees for such distribution].

(emphasis added).

This section clearly states SAP has no rights with respect to MCMS past the version of mySAP CRM current at the termination of the licensing agreement (which Appendix 7 to the OEM Agreement identifies as mySAP CRM 4.0). SAP argues that Section 11.4 simply requires it to remove the MCMS code from future versions of mySAP CRM, but does not affect those customers who licensed MCMS with older versions; it contends those customers can continue using the MCMS code with any future versions. To understand the contract otherwise, SAP argues, would be to place before these customers the choice of foregoing [\*23] the right to mySAP CRM upgrades or having to expend considerable time and money to install an alternative multi-channel management system and then train their workers in its use.

[HN13]Under Pennsylvania contract law, when a contract is unambiguous, "the focus of contract interpretation is on the terms of the agreement as manifestly expressed rather than, perhaps, as silently intended." Amoco Oil Co. v. Snyder, 505 Pa. 214, 478 A.2d 795, 798 (Pa. 1984). See also Morningstar v. Hallett, 2004 PA Super 337, 858 A.2d 125, 129 (Pa. Super. 2004) ("the paramount goal of contractual interpretation is to give effect to the intent to the parties. In determining the intent of the parties to a written agreement, the court looks to what they have clearly expressed, for the law does not assume that the language of the contract was chosen carelessly.") [HN14]"Contractual language is ambiguous if it is reasonably susceptible of different constructions and capable of being understood in more than one sense." 401 Fourth St., Inc. v. Investors Ins. Group, 583 Pa. 445, 879 A.2d 166, 171 (Pa. 2005).

What is expressed in Section 11.4 is that SAP's right to "use" as well as [\*24] "distribute" MCMS is limited and does not extend to any versions of mySAP CRM subsequent to 4.0; any sublicense to an end user must

also be so limited. SAP attempts to call the provision's plain meaning into doubt by arguing that it would create internal contradiction and ambiguity within the contract and that SAP interpretation is supported both by the commercial circumstances surrounding the deal and the parties' subsequent course of conduct, but its arguments are not persuasive.

SAP argues that Sections 3.2 and 11.4 could not limit SAP's rights in the manner asserted by AMC, because such limitation would make other clauses nonsensical. SAP points to Section 11.3 of the OEM Agreement, which provides that "termination of this Agreement shall not affect any of the individual sublicense agreements between End Users and SAP" and claims termination would necessarily impair either the right to upgrade or the right to use MCMS in perpetuity, both granted in SAP's standard licensing agreement ("Standard End User Licensing Agreement" or "Standard EULA"). In addition, Appendix 1 of the OEM Agreement, allowing SAP to license AMC connectors, is still in effect (*see* OEM Agreement, Appendix [\*25] 1), and AMC is bound under Section 4.5 of the OEM Agreement to "ensure that all Software Products are and continue *during the entire term of this Agreement* always fully compatible to SAP Software including new versions or releases thereof" (emphasis added).<sup>9</sup> Sections 11.6 and 11.7 provide that AMC must cooperate with SAP in servicing the embedded MCMS code for three years after termination and then take over the service.

9 Mr. Schrader testified that additional software would be needed to use the AMC connectors with any program other than AMC MCMS, including SAP's mySAP CRM Interaction Center Web Client. See Hr. Tr. 146:4-15, 147:7-149:18.

There is no contradiction between the plain language of Section 11.4 and the provisions cited by SAP. Denying the users the right to use MCMS with any mySAP CRM version subsequent to 4.0 does not necessarily result in a violation of Section 11.3; to the extent that the sublicense agreements SAP has entered into are "in compliance with [the OEM Agreement]," as [\*26] mandated by Section 5.2, they are unaffected. The standard End User License Agreements ("EULAs") that SAP uses in the United States do not grant the right to upgrades in the main (and only mandatory) portion of the EULA; that right is contracted for and paid for separately. Even the rights granted in the EULA are qualified, so that no right actually granted in the EULA would be significantly affected.<sup>10</sup> SAP's argument that AMC is obliged to make to make its connectors compatible with SAP software would lead to the absurd result that AMC must provide new as well as existing users mySAP CRM with MCMS, so the connectors continue to work. The evidence in the

record does not support SAP's contention that AMC's post-termination service obligations under Sections 11.6 and 11.7 would be meaningless if present MCMS users could not use it with mySAP CRM 5.0. Users do not immediately switch over to new versions of mySAP CRM; there may still be users of mySAP CRM 4.0 with MCMS more than three years from now. <sup>11</sup>

10 See, e.g., Declaration of Charles F. Tisa, Vice-President, Contracts, SAP America, in Support of SAP's Opposition to Motion for Preliminary Injunction ("Tisa Decl."), Exh. A ("Standard EULA"), § 7.1 (warranting "that the Software will substantially conform to the functional specifications contained in the Documentation for six months following delivery").

SAP has not submitted any documents or declarations relating to its agreements with customers outside the United States; to the extent that the discussion involves the terms of the contract between SAP and its customers, it will be based on the "Standard EULA" licensing mySAP CRM to United States Customers.

[\*27]

11 Mr. Schrader testified that customers are not obligated to accept upgrade, although a very high percentage of them do. Schrader Testimony, Hr. Tr. 128:12-16. SAP limits support for any given version five years after its release and terminates it eight years after its release. Hr. Tr. 125:23-126:9. Some customers may still use mySAP CRM 3.0 Hr. Tr. 141:21-22.

As the contract is not ambiguous with respect to SAP's post-termination rights, there is no need to turn to extrinsic evidence of the alleged commercial background of the agreement or the parties' course of conduct to divine the intentions of one of the parties. See *Amoco Oil Co. v. Snyder*, 478 A.2d at 798 ("the focus of contract interpretation is on the terms of the agreement as manifestly expressed rather than, perhaps, as silently intended.") *Regscan, Inc. v. Con-Way Transp. Servs.*, 2005 PA Super 176, 875 A.2d 332, 337 (Pa. Super 2005)[HN15] ("When the language of a written contract is clear and unequivocal, its meaning must be determined by its contents alone. Only if the words used are ambiguous may a court examine [\*28] the surrounding circumstances to ascertain the intent of the parties.") (internal citations omitted).

Even if there were a need to turn to extrinsic evidence, it would support AMC's position. SAP contends that the commercial realities make it clear that SAP would not have entered into the agreement as AMC understands it; because of the cost of installation and training for customers and the long development cycles of

software, it would have made no commercial sense for SAP to agree that installed customers would have to stop using MCMS after a certain point. See Schrader Decl. P 8-10; Tisa Decl. P 8. However, it would have made little sense for AMC to agree to the limitless use of its software with mySAP CRM upgrades without further payment, since AMC alleges SAP installed users are the only "proven market" for MCMS. Affidavit of Anthony X. Uliano, President and Chief Technology Officer, AMC Technology ("Uliano Decl.") P 13.

SAP also argues that the parties' course of conduct shows AMC understood SAP's existing licensees could use MCMS with any version of mySAP CRM, since AMC itself described the master activation key it provided SAP between March 2003 and February 2004 as having [\*29] "no expiration date." AMC's grant of licenses with "no expiration" is qualified by the termination clauses of the OEM Agreement. The licenses are perpetual so long as MCMS is used "in compliance with the OEM Agreement," (OEM Agreement, Section 5.2), i.e., "embedded" with the version of mySAP CRM current at termination or earlier versions.

Evidence of prior negotiations supports AMC's position. Section 11.4 was the result of bargaining by AMC and modified the following version of the same section, submitted by SAP as part of its form OEM agreement: "Upon the expiration of this Agreement or any termination SAP shall be deemed to be granted a non-exclusive, perpetual and fully paid license to use, modify, distribute and sublicense the Software Products as it exists [*sic*] at the time of such expiration or termination on the same basis as is said [*sic*] forth in Section 3 hereof, and SAP shall have no further obligation to make license fee payments to Licensor hereunder." Pl.'s Exh. 17 § 11.4. AMC obtained two major changes by negotiation: the right to be paid for any copies of its software licensed after the termination of the agreement, and a limitation of SAP's rights to [\*30] the "then current" version of SAP's product. <sup>12</sup>

12 In its answer to the complaint, SAP also pleaded a series of affirmative defenses, all of which have been considered although none of which was specifically addressed in oral argument. SAP believes that AMC should be estopped from reneging on its commitment to SAP that it could grant "perpetual" licenses to AMC's software. Of course, the interpretation of the extent of that commitment is tightly bound up with the interpretation of the OEM Agreement. Since the agreement limited SAP's licensing rights to the last current version at the termination of the contract, AMC's grant of licenses with "no expiration date" does not contradict with its position

in this litigation. SAP also raises a defense of laches. [HN16]To prevail, SAP must prove inexcusable delay in instituting suit and prejudice resulting to the defendant from such delay. *Gruca v. United States Steel Corp.*, 495 F.2d 1252, 1258 (3d Cir. 1974). Mr. Uliano first learned of SAP's plans to distribute a Component Upgrade Guide in May 2005; during the summer he notified SAP that he believed such distribution constituted an infringement of AMC's copyright, and AMC brought this lawsuit on August 31, 2005. Three months between discovering the proposed violation and filing a complaint does not constitute inexcusable delay, especially when SAP was given prompt notice of ACM's position.

[\*31] AMC has shown that it has a reasonable likelihood to succeed on the merits. SAP's licensees do not have the right to copy MCMS to use with mySAP CRM 5.0 because they could not have received from SAP a right SAP did not have, and SAP's instructing them to do so by providing the Component Upgrade Guide would constitute contributory copyright infringement. The OEM Agreement plainly and unambiguously limits SAP's rights both during the term of the contract and after its termination. SAP can distribute AMC MCMS only as a product "embedded" into SAP software. What SAP is proposing to do is to allow its customers to "disembed" AMC from earlier versions of mySAP CRM so they can use it with mySAP CRM 5.0. This is a right that SAP never had and could not have granted its customers. Section 11.4 clearly spells out that SAP never had and could not grant the right to use MCMS with any version subsequent to the one current at the time of termination of the licensing part of the OEM Agreement.<sup>13</sup> AMC is likely to succeed in showing that SAP's customers have no right to use MCMS with mySAP CRM 5.0 and that SAP is liable for contributory copyright infringement by inducing them to do so.

<sup>13</sup> SAP concedes that it could not ship a version of mySAP CRM 5.0 with MCMS to any customers, including customers already using MCMS (see Winkenschildt Decl. P 22; Schrader's Testimony, Hr. Tr. 121:17-20), yet SAP's description of the upgrade procedure makes it difficult to appreciate the difference. According to SAP, the procedure consists of "first of all, saving the MCMS code, then sending that procedure to upgrade [mySAP CRM] where we are deleting [MCMS], and then fill it in back what's required." Schrader Testimony, Hr. Tr. 136: 20-23.

[\*32] **B. Irreparable harm to AMC**

[HN17]The court must consider whether the movant will suffer irreparable harm in the absence of preliminary relief preserving the status quo until the merits of the case can be tried. Irreparable harm is an injury that "cannot be redressed by a legal or equitable remedy following a trial." *Instant Air Freight Co. v. C.F. Air Freight*, 882 F.2d 797, 801 (3d Cir.1989). An irreparable injury is one that "is not remote or speculative, but actual and imminent and for which monetary damages cannot adequately compensate." *FMC Corp. v. Control Solutions, Inc.*, 369 F. Supp. 2d 539, 573 (E.D. Pa. 2005).

[HN18]A showing of a prima facie case of copyright infringement, or reasonable likelihood of success on the merits, raises a presumption of irreparable harm. *Apple Computer*, 714 F.2d at 1254. The presumption may be relaxed when the alleged infringement is of "material peripheral to the [copyright holder's] business," in which case the Third Circuit requires "a stronger showing of irreparable harm as the [copyright holder's] likelihood of success on the merits wanes." *Marco v. Accent Publ'g Co.*, 969 F.2d 1547, 1553 (3d Cir.1992); [\*33] see also *Apple Computer*, 714 F.2d at 1254 (no stronger showing needed where the copyrighted material is "central to the essence of plaintiff's operations.") MCMS is clearly central to AMC's operations. AMC counts eleven full-time employees and its revenues in the last few years have been around two million dollars. Uliano Testimony, Hr. Tr. 29-30. At least half of that amount can be traced to SAP's licensing of MCMS. See OEM Agreement, Attachment A, § 2.1 (providing for a yearly upfront licensing fee of one million dollars). AMC claims the SAP installed base is "the entire proven market for MCMS." Uliano Decl. P 13.<sup>14</sup> A stronger showing of irreparable harm is not needed here.

<sup>14</sup> These allegations are sufficiently strong to support a finding of irreparable harm even in the absence of the presumption.

SAP's attempt to rebut the presumption of irreparable harm fails. SAP argues that even if AMC is correct in its interpretation of the OEM Agreement, its losses can easily be quantified at [\*34] trial by multiplying the per-user licensing fee that AMC charged SAP under the OEM Agreement by the number of users that have taken advantage of SAP's instructions to transfer the AMC MCMS code to mySAP CRM 5.0. It is not possible to know how many users are presently using MCMS (since no records were kept during the year that MCMS registration and activation was accomplished through a "master key"), see Uliano Testimony, Hr. Tr. 74:17-25, or how many of the users will actually follow the instructions and copy the AMC MCMS code into mySAP CRM 5.0. *Id.* at 104:2-10.

SAP argues that it would be possible to calculate the number of users who have activated AMC MCMS simply by ascertaining users who have purchased MCMS connectors from SAP, *see* Tisa Decl. P 18, but: (a) SAP has not shown that it possesses accurate lists of connector licensees outside the United States<sup>15</sup>; (b) it appears that *organizations* license connectors, *see* Tisa Supplemental Decl PP 2-4, while royalties for the main part of the MCMS software are paid at the rate of \$ 100 per *individual user*; the correlation between the one and the other is not clear (compare standard letter explaining connector [\*35] installation, Exh. A to Bauer Decl., to OEM Agreement, Attachment A, § 2.1); and (c) SAP has conceded that if AMC wins at trial, this method would at most enable the decision-maker to determine the *maximum* number of users who might have upgraded and copied MCMS (because MCMS needs a connector to work), *see* Schader Testimony, Hr. Tr. 144:22-145:11. SAP has not explained how it would find the individual users who would copy the AMC MCMS software.

15 SAP's list currently includes fifteen U.S.-based organizations. *Id.*; Supplemental Declaration of Charles F. Tisa in Support of SAP's Opposition to Motion for Preliminary Injunction ("Tisa Supplemental Decl.") PP 2-4.

Because there is no reliable way to calculate AMC's damages, AMC has shown that it will suffer irreparable harm if an injunction does not issue.

### C. Irreparable Harm to SAP

SAP argues that a preliminary injunction would harm it by placing it in breach of its own licensing agreement with its customers and in violation of its customers' [\*36] expectations, subjecting it to legal and commercial consequences. These potential troubles do not outweigh the presumed harm to AMC.

SAP argues that the requested injunction would expose it to litigation because it would make it impossible for SAP to fulfill its contractual obligations to its existing customers: if it keeps its promise by delivering the upgraded mySAP CRM 5.0 to its customers, it will deprive them of the opportunity to "Use" the AMC MCMS software embedded in the version the customer originally licensed. *See* Tisa Decl. P 13 and Exh. A thereto ("Standard EULA"), § 1.9.<sup>16</sup> SAP also argues that it would face commercial consequences: both the initial licensing and installation of mySAP CRM and the subsequent upgrades require a substantial investment of time and money, and its customers would be upset to find that the upgraded version actually deprived them of a feature they had been using. *See* Schradler Testimony, Tr. 152:22-153:6.

16 SAP has not provided examples of the EU-LAs it uses outside the United States. From SAP's submissions it appears that eleven U.S.-based companies and government entities have both purchased AMC connectors (and thus are likely to be users of the MCMS software) and have paid maintenance dues. Tisa Decl. P 35; Tisa Supplemental Decl. PP 2-4. SAP also argues that it might be subject to "a multiplicity of suits" in different jurisdictions and that this risk constitutes irreparable damage. The possibility of actions in multiple jurisdictions is not a consideration at this stage.

[\*37] Whatever problems may arise for SAP from disgruntled customers will be limited. It is not clear that discontinuing the use of MCMS would place SAP in violation of its contract with its customers or that SAP would be subject to legal action even if it were in violation. SAP customers license a functionality, not MCMS specifically. *See* Schradler Testimony, Hr. Tr. 171-172. This functionality could be provided by a piece of software other than MCMS; it can be provided by SAP's own Web Client software. Uliano testimony, Tr. 35-39; SAP's Compl. for Declaratory Relief in Case No. 05-04595, E.D. Pa., 8/30/2005, P 12.<sup>17</sup> SAP frequently "retires" functionalities of its software and replaces them with other functionalities. Uliano Testimony, Hr. Tr. 71. Even if denying some customers the opportunity to participate in the limited rollout of mySAP CRM 5.0, could somehow be construed as a breach of contract on SAP's part, SAP's Standard EULA (used in the United States) severely limits its customers' ability to take legal action against SAP. SAP America's Standard EULA provides that at SAP's option, it can cure negligence or breach by bringing "the performance of the Software into substantial [\*38] compliance with the functional specifications." Standard EULA § 9.1.

17 [HN19] Admissions by attorneys are admissible against their clients, where the attorney acted within the scope of his authority. *Fed. R. Evid. 801(d)(2)(D)*; *Mangual v. Prudential Lines, Inc.*, 53 F.R.D. 301, 301 (E.D. Pa. 1971). *See also First Bank of Marietta v. Hogge*, 161 F.3d 506, 510 (8th Cir.1998) ("Although these statements from First Bank's abandoned state court pleadings do not constitute binding judicial admissions, these statements are admissible evidence that can be weighed like any other admission against interest of First Bank.")

Difficulties that SAP brought upon itself by sublicenses with its customers exceeding its license cannot outweigh the presumed harm to AMC from the violation of its copyright. *See Opticians Ass'n of America v. Indep.*

*Opticians of America*, 920 F.2d 187, 192 (3d Cir. 1990) (defendant was not harmed when it openly, intentionally, [\*39] and illegally appropriated the plaintiff's trademark); *Apple Computer*, 714 F.2d at 1255 (if a knowing copyright infringer were permitted to plead as irreparable harm damages directly arising from its infringement, it "would be permitted to build its business around its infringement, a result we cannot condone").

Scheduled for the end of October 2005 is a limited release of the new version of mySAP CRM, targeted to what a "very, very small number" of customers; the general release is contemplated for the end of June 2006, by which time a decision on the merits can be reached. See Schrader Testimony, Hr. Tr. 163:17-164:3. There is no evidence that any customers have been promised an upgrade by any particular date.

Finally, SAP could avoid any harm by paying for its right to distribute MCMS, as it has done in the past.

SAP has not convincingly demonstrated that it will be subjected to greater harm if the requested injunction is granted than AMC will suffer if it is not.

#### Harm to Third Parties

SAP argues that in deciding whether to grant a preliminary injunction, the court should also take into account the harm it could cause to SAP's customers. [HN20] In some [\*40] cases, the Third Circuit has considered the potential harm to other interested persons in evaluating the balance of hardships. See *Anderson v. Davila*, 37 V.I. 496, 125 F.3d 148, 159 (3d Cir. 1997); see also *Apple Computer*, 714 F.2d at 1246 (noting without comment that district court below had considered "the improbability of harm to other interested persons").

Even such potential harm does not favor SAP. The only customers that could possibly be harmed by an order enjoining SAP from distributing its Component Upgrade Guide would be those who currently use mySAP CRM 3.0, 3.1, or 4.0 with AMC MCMS who are scheduled to participate in the limited release of mySAP CRM 5.0 with the intention of continuing to use MCMS with mySAP CRM 5.0. Commercial and practical realities may make it advisable for companies to upgrade their business software regularly, see Schrader Testimony, Hr. Tr. 122-23, 127-28, but there is no evidence it is urgent for any of SAP's customers to do so; the court has no reason to believe that SAP customers would suffer great harm since the majority of SAP customers appear to be willing to wait at least until the general release date, [\*41] and none of the users of mySAP CRM 4.0 will lose their right to support from SAP until 2008. See Schrader Testimony, Hr. Tr. 125:23-127:9. Any harm to SAP customers is further mitigated by two factors: being deprived of MCMS does not mean losing multi-channel

functionality altogether, since mySAP CRM has provided other options for that functionality at least since the 4.0 version; and any SAP customer who is unwilling to relinquish MCMS can acquire a license directly from AMC.

#### D. Public interest

[HN21] The public interest can only be served by upholding copyright protections and, correspondingly, preventing the misappropriation of the skills, creative energies, and resources which are invested in a protected work. *Apple Computer*, 714 F.2d at 1255. This principle applies here.

### III. CONCLUSION

Plaintiff's motion for a preliminary injunction will be granted because AMC has shown a reasonable likelihood of success on the merits of its contributory copyright infringement claim and likelihood of irreparable harm if the injunction does not issue; the potential harm to SAP and interested third parties does not outweigh the harm to AMC if the injunction [\*42] does not issue. The public interest favors an injunction protecting copyright.

#### ORDER OF PRELIMINARY INJUNCTION

AND NOW, this 3rd day of November, 2005, upon consideration of AMC Technology, L.L.C. ("AMC")'s Motion for Preliminary Injunction and SAP AG, SAP America, and SAP Labs ("SAP")'s Opposition to Motion for Preliminary Injunction, and following an evidentiary hearing on October 11, 2005, it appearing that:

1. This court has jurisdiction over the subject matter and the parties;
2. Venue lies in the Eastern District of Pennsylvania;
3. SAP intends to distribute a "Component Upgrade Guide" teaching customers how to copy AMC's copyrighted software program, "AMC MCMS," from earlier versions of "mySAP CRM";
4. AMC has not authorized this copying;
5. AMC has shown a reasonable likelihood of success on the merits of its contributory copyright infringement claim against SAP and likelihood of irreparable harm if SAP is not enjoined from distributing the "Component Upgrade Guide" or otherwise disseminating instructions for copying AMC's MCMS software; SAP has not shown irreparable harm to itself or interested third parties; and the public interest [\*43] favors an injunction protecting a copyrighted work;

IT IS ORDERED THAT :

1. Plaintiff AMC Technology, L.L.C.'s motion for preliminary injunction (Paper # 3) is **GRANTED**.

2. Defendants, SAP AG, SAP America, Inc., and SAP Labs, LLC, their employees, agents, and assigns, are preliminarily enjoined from describing or purporting to authorize the copying, migration, or incorporation of AMC MCMS code embedded in mySAP CRM 3.0, 3.1, or 4.0 into any version of mySAP CRM released after mySAP CRM 4.0 unless specifically authorized or licensed to do so by AMC; defendants are also ordered to

retrieve any copy of the Component Upgrade Guide or equivalent information already distributed and inform the recipients that the copying, migration, or incorporation of ACM MCMS into mySAP CRM5.0 has not been authorized by AMC;

3. This injunction will be effective upon AMC's filing a bond in the amount of \$ 750,000.

/s/ Norma L. Shapiro

S.J.

LEXSEE



Cited  
As of: Nov 04, 2010

*Atari Inc. v. Armenia, Ltd., and Gordon Steinberg .*

No. 81 C 6099.

United States District Court for the Northern District of Illinois, Eastern Division.

1981 U.S. Dist. LEXIS 16561; Copy. L. Rep. (CCH) P25,328

November 3, 1981.

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** Plaintiff owner brought an action and filed a motion for a temporary restraining order and a preliminary injunction against defendant infringer to enjoin it from infringing upon the owner's valid copyright of audiovisual work.

**OVERVIEW:** The court found that the owner had established its ownership of a valid copyright in the audiovisual work "Centipedes," Reg. No. PA-108-068, and the infringer's use thereof by their performance and display, and offering for sale of a videogame entitled "War of the Bugs" constituted infringement. Furthermore, the court found that the owner had established irreparable injury to its copyright and its business unless the infringer was immediately enjoined. The court found that the balance of the equities was with the owner.

**OUTCOME:** The owner's motion for a temporary restraining order and a preliminary injunction was granted.

**CORE TERMS:** machine, preliminary injunction, temporary, restraining order, dollar, clerk, surety bond, infringement, irreparable, videogame, enjoined, belonged, final hearing, preponderance, biologist, surprised, offering, selling, billion, notice, animal, assess, twins

**COUNSEL:** [\*1] Daniel W. Vittum, Jr., and David E. Springer of Kirkland & Ellis, Chicago, for the plaintiff. Irwin Alter and Jerry A. Schulman of Alter & Weiss, Chicago, for the defendants.

**OPINION BY: PERRY**

**OPINION**

Order

PERRY, District Judge :

This cause having come before the Court on Plaintiff's motion for a temporary restraining order and a preliminary injunction, defendants having received notice and appeared by counsel, the Court having heard evidence and the arguments of counsel at hearing on October 30 and 31, and November 2, 1981 and considered the Verified Complaint for Copyright Infringement and Unfair Competition and the affidavits of Charles S. Paul in support of the Complaint and the motions and the evidence and arguments before it, it is **HEREBY ORDERED:**

Plaintiff's motion for a temporary restraining order and a preliminary injunction is **GRANTED**.

The Court is satisfied that the Plaintiff has established its ownership of a valid copyright in the audiovisual work "Centipedes," Reg. No. PA-108-068 and the defendants' infringement thereof by their performance and display, and offering for sale of a videogame entitled "War of the Bugs." Moreover, plaintiff has established irreparable [\*2] injury to its "Centipedes" copyright and its business unless the defendants are immediately enjoined. The Court finds that the balance of the equities in this matter lies with the plaintiff.

**WHEREFORE**, defendants, **ARMENIA, LTD.** and **GORDON STEINBERG**, and all their officers, agents, servants, employees, and other persons in active concert with them who receive actual notice of this Order by

personal service or otherwise, are hereby RESTRAINED AND ENJOINED, pending the final hearing and determination of this action, from displaying, performing, selling, offering for sale, or importing into the United States of America the videogame "War of the Bugs" and every version thereof, or in any other manner violating ATARI's copyright in the videogame "Centipedes." It is further ordered that ARMENIA, LTD., and GORDON STEINBERG shall within fifteen (15) days file with the Clerk of the United States District Court for the Northern District of Illinois a copy of every version of "War of the Bugs", to be made available by the Clerk to both parties for use in this litigation.

This Order shall become effective immediately upon the filing with the clerk of the United States District Court for [\*3] the Northern District of Illinois by plaintiff, ATARI, INC., a bond in the amount of One Hundred Thousand Dollars (\$ 100,000.00), for payment of such costs and damages as may be incurred or suffered by any party that is subsequently determined to have been wrongfully enjoined thereby. The Clerk is directed to accept a written undertaking by the corporate plaintiff, ATARI, Inc., to pay the foregoing amount in lieu of the posting of any surety bond.

SO ORDERED.

Transcript of Opinion

THE COURT: Gentlemen, this is a copyright case in which the defendant is charged by the plaintiff with infringement of the copyright machine of the plaintiff.

Now, first the plaintiff sought a temporary restraining order. Apparently, the plaintiff recognized the fact that I was not about ready to grant such upon affidavits and the complaint itself and, therefore, the plaintiff and the defendant, all of whom appeared in court, offered evidence.

Now, since there has been evidence on this matter, I should rule not only upon the motion for a temporary restraining order but upon the motion for a preliminary injunction. It would not be fair to the defendant in this case to grant a temporary restraining [\*4] order and then put that into effect and keep him here from Australia from ten to twenty days for a final hearing.

Both parties have had their hearing on this matter. I have heard from both the plaintiff and defendants. I have seen the machines, both of them, the accused device and the plaintiff's device in operation, and I spent considerable time because of the fact that I happened to be emergency Judge.

It was my duty to give prompt attention to it, and I did so.

I am going to deal with your motion for a preliminary injunction, and omit further reference to the temporary restraining order.

Now, of course, the complaint seeks a permanent injunction which I have no authority to grant at this time without a full hearing upon the merits, against the defendant from manufacturing, using, selling, or marketing its machine.

Now, the Court, as I have said, has heard and has seen and has examined all of the evidence with great care and is fully advised in the premises.

Now, the Court finds from all of the evidence and concludes as a matter of law that it has jurisdiction of the parties hereto and of the subject matter herein, all of whom are present or represented in open [\*5] Court and have been both on October the 30th and October the 31st, Saturday and today.

I may say, if I may make a little homely example, if I were a biologist and the machines were animals, belonged to the animal kingdom in place of being machines and belonged to the material world, shall we say -- and I were a biologist and there was a controversy concerning homeds, I would have to find that both of these machines were homo sapiens; in other words, they were both, at least members of the same type or species.

I think I would have to go further -- I know I would have to go further from all of the evidence in front of me and find that they belonged to the same family.

I would even have to go further but not as far as counsel for the plaintiff says -- they are not identical twins. In fact, they are not twins at all, but, in my judgment, they are brothers.

And having examined all of the evidence, as I have said, I find that the plaintiff has shown, first, that there is substantial similarity between the accused device or devices and the plaintiff's device or machine, or whatever you wish to call it, and so similar that the court in viewing them, except for the color and the [\*6] shape of the objects and so on, they are very similar.

The worms travel in the same manner. The shots were fired in the same manner. The whole arrangement was very similar.

That is my showing and I think that the plaintiff has proved its case by a preponderance -- by an overwhelming preponderance of the evidence. I think that it has shown also irreparable damages.

I think also that in view of the fact that I listened to the defendants' testimony, that while he said -- Mr. Steinberg, the individual defendant and representative of the corporation, he said his damages would be in the



millions of dollars. That is a pure conclusion. There was no evidence of any kind.

On the other hand, there is no controversy in the evidence but that there would be a substantial and irreparable loss to the plaintiff.

And in the balancing of the equities, I find that it is balanced in favor of the plaintiff and also I find there is very much likelihood of success.

So the Court is going to grant the preliminary injunction. But as I indicated to you, I think that it should be a substantial bond.

Now, it has been admitted into the testimony that the plaintiff is a company, as I understood [\*7] it, in the billion dollar class.

Being in the billion dollar class, I see no reason for a surety bond but it would seem to me that this case, of course, being a preliminary injunction will be ripe for an immediate appeal and it could be expedited very well because the record is short, comparatively short.

During that time, however, the defendant might very well be damaged.

Now, there is no standard that is set up, but all I can gather is he would lose several hundred dollars profit for each machine. It is my best judgment that the bond should be fixed and I hereby fix it at \$ 50,000.00; do not require a surety bond but require a bond in the amount of

\$ 100,000.00 because, in my judgment on appeal, there might very well be -- I don't know. I do not try to guess what the Court of Appeals might do on it. They might very find that I should assess -- or whatever judge hears it ultimately on the merits -- should assess attorney's fees or whatnot.

So I feel I must ask and require a bond of \$ 100,000.00.

Now, counsel, when can you have a decree in accordance with -- it does not have to follow my oral findings, but I would like it to be in some detail.

When would you be able [\*8] to present that?

MR. VITTUM: I have a form of order present. I am not sure whether it would be satisfactory to the Court. I would be happy to show it to counsel and to the Court.

THE COURT: Show it to counsel. And then after he has had an opportunity to look at it -- I will take a short recess and let me know when he has had an opportunity to look at it.

I will be surprised if he does not have some objections to the form of it, knowing lawyers as I do, having practiced 24 years before I became a Judge and having been hearing these cases as a Judge for 30 years. I will be very much surprised if he does not have some objections, and I will have to rule on them.

LEXSEE

**AXXIOM MANUFACTURING, INC., Plaintiff, v. MCCOY INVESTMENTS, INC.,  
et al., Defendants.**

**CIVIL ACTION NO. H-09-3735**

**UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF  
TEXAS, HOUSTON DIVISION**

**2010 U.S. Dist. LEXIS 61206**

**June 21, 2010, Decided**

**June 21, 2010, Filed**

**CORE TERMS:** subject-matter, copyright infringement, unfair competition, infringement, Lanham Act, similarity, copying, leave to amend, registration requirement, misrepresentation, misleading, reply, Copyright Act, summary judgment, false advertising, manual, registration, consumer's, catalog, unfair business practices, failure to state a claim, jurisdictional, copyrighted, advertising, registered, register, holder, amend, valve, factual allegations

**COUNSEL:** [\*1] For Axxiom Manufacturing, Inc., Plaintiff: William Shawn Staples, Mostyn Law Firm, Houston, TX.

For McCoy Investments, Inc., d/b/a Forecast Sales, Ronald S Rougeou, Jr., Defendants: Patrick Nichols Smith, LEAD ATTORNEY, Ramsey Murray PC, Houston, TX.

**JUDGES:** Lee H. Rosenthal, United States District Judge.

**OPINION BY:** Lee H. Rosenthal

**OPINION**

#### **MEMORANDUM AND OPINION**

Axxiom Manufacturing, Inc. sued McCoy Investments, Inc. d/b/a/ Forecast Sales ("Forecast") and Ronald S. Rougeou, Jr., alleging infringement of a federal copyright, unfair business practices under the Lanham Act, and unfair business practices under Texas law. The defendants moved under Rule 12(b)(1) of the Federal Rules of Civil Procedure to dismiss the copyright claim for lack of subject-matter jurisdiction and under Rule 12(b)(6) to dismiss the copyright, Lanham Act, and Texas claims for

failure to state a claim. (Docket Entry No. 5). The plaintiff has responded, (Docket Entry No. 10), and the parties have exchanged replies and surreplies, (Docket Entry Nos. 11, 20, 21, 23, and 25).<sup>1</sup> For the reasons explained below, the motion to dismiss for lack of subject-matter jurisdiction is denied. The motion to dismiss for failure to state a claim is denied in [\*2] part; to the limited extent it is granted, leave to amend is given.

1 The defendants' motion for leave to supplement reply to response to motion to dismiss, (Docket Entry No. 12), motion for leave to file a short reply to Axxiom's responses to the motion to dismiss, (Docket Entry No. 23), and motion for leave to file a short response to the plaintiff's letter brief, (Docket Entry No. 25), are granted.

#### **I. Background**

In the original complaint, Axxiom alleges that it designs, manufactures, and sells abrasive blasting equipment using a sales catalog that is protected by a federal copyright. Axxiom alleges that Forecast manufactures and sells aftermarket abrasive blasting equipment and parts that are patterned after Axxiom's products and are designed to be used as replacements or substitutes for Axxiom products. Axxiom alleges that Forecast has produced catalogs that infringe on the copyrighted artwork and layouts in the Axxiom September 2008 operation and maintenance manual and that Forecast markets its products using the same part-numbering system and part numbers that Axxiom uses for similar products. According to Axxiom, the result is to mislead consumers as to the origin or sponsorship [\*3] of the Forecast products. Rougeou is sued because he worked as Axxiom's customer sales coordinator before he went to work for Forecast as its vice-president of marketing and, according to

Axxiom, disclosed its confidential and proprietary business information to Forecast. Axxiom alleges that Forecast has used that information to compete unfairly.

Axxiom alleges copyright infringement in Forecast's copying and use of the September 2008 manual in its own promotional materials, in violation of 18 U.S.C. § 501. (Docket Entry No. 1 PP 24-26). Axxiom also alleges unfair competition under 15 U.S.C. § 1125 through Forecast's use of "identical Axxiom part numbers, the look and feel of Axxiom printed materials, and [] misrepresentations about the quality of Forecast goods," which "cause confusion, mistake, or deception as to the affiliation, connection, or association of the origin, sponsorship, or approval of its goods by Axxiom." (*Id.* P 21). Finally, Axxiom alleges that Forecast's use of the confidential and proprietary information Rougeou obtained, including pricing information, customer contact information, distributor contact information, and Axxiom's costs of manufacturing goods, amounts [\*4] to unfair business practices under Texas law. Axxiom pleads Texas causes of action for misappropriation of trade secrets and unjust enrichment. (*Id.* PP 27-32).

The defendants move to dismiss the copyright claim for lack of subject-matter jurisdiction and all the claims for failure to state a claim.

## II. Subject-Matter Jurisdiction

Federal Rule of Civil Procedure 12(b)(1) governs challenges to a court's subject-matter jurisdiction. "A case is properly dismissed for lack of subject-matter jurisdiction when the court lacks the statutory or constitutional power to adjudicate the case." *Home Builders Ass'n of Miss., Inc. v. City of Madison*, 143 F.3d 1006, 1010 (5th Cir. 1998) (quoting *Nowak v. Ironworkers Local 6 Pension Fund*, 81 F.3d 1182, 1187 (2d Cir. 1996)). "Courts may dismiss for lack of subject-matter jurisdiction on any one of three different bases: (1) the complaint alone; (2) the complaint supplemented by undisputed facts in the record; or (3) the complaint supplemented by undisputed facts plus the court's resolution of disputed facts." *Clark v. Tarrant County*, 798 F.2d 736, 741 (5th Cir. 1986) (citing *Williamson v. Tucker*, 645 F.2d 404, 413 (5th Cir. 1981)). The plaintiff bears the [\*5] burden of demonstrating that subject-matter jurisdiction exists. See *Paterson v. Weinberger*, 644 F.2d 521, 523 (5th Cir. 1981). When examining a factual challenge to subject-matter jurisdiction under Rule 12(b)(1) that does not implicate the merits of plaintiff's cause of action, the district court has substantial authority "to weigh the evidence and satisfy itself as to the existence of its power to hear the case." *Garcia v. Copenhaver, Bell & Assocs.*, 104 F.3d 1256, 1261 (11th Cir. 1997) (quoting *Lawrence v. Dunbar*, 919 F.2d 1525, 1529 (11th Cir. 1990)); see also *Clark*, 798 F.2d at 741. Accordingly, the

court may consider matters outside the pleadings, such as testimony and affidavits. See *Garcia*, 104 F.3d at 1261.

Section 411(a) of the Copyright Act provides that no infringement action may be instituted until either the copyright is registered or the Copyright Office has refused to register the copyright. As a result, according to the defendants, a federal court lacks subject-matter jurisdiction to entertain a copyright infringement claim unless the disputed copyright is registered before the infringement action is filed.

A copyright owner may sue for infringement, subject to the [\*6] requirements of § 411 of the Copyright Act. Id. § 501(b). With limited exceptions, the Copyright Act requires copyright holders to register their works before suing for copyright infringement. Id. § 411(a).<sup>2</sup> In its recent decision in *Reed Elsevier, Inc. v. Muchnick*, 130 S. Ct. 1237, 176 L. Ed. 2d 18 (2010), the Supreme Court considered whether § 411(a) deprived a federal court of subject-matter jurisdiction to adjudicate a copyright infringement claim involving unregistered works. The Court held that "Section 411(a)'s registration requirement is a precondition to filing a claim that does not restrict a federal court's subject-matter jurisdiction." Id. at 1241. In reaching its decision, the Court applied the approach used in *Arbaugh v. Y & H Corp.*, 546 U.S. 500, 515-16, 126 S. Ct. 1235, 163 L. Ed. 2d 1097 (2006), to distinguish jurisdictional conditions from elements of a claim or claim-processing requirements. The Court noted that § 411(a) does not "clearly state[]" that its registration requirement is jurisdictional. *Reed Elsevier*, 130 S. Ct. at 1245. In addition, the Court noted that § 411(a)'s registration requirement is located in a separate provision from those granting federal courts subject-matter jurisdiction over copyright claims. [\*7] Id. at 1245-46. Federal courts have subject-matter jurisdiction over copyright infringement claims under 28 U.S.C. § 1331 and § 1338.<sup>3</sup> Id. at 1246. Neither section conditions jurisdiction on whether a copyright holder has registered the work before suing for infringement. Id. Finally, the Court noted that no other factor suggests that § 411(a)'s registration requirement can be read to "speak in jurisdictional terms or refer in any way to the jurisdiction of the district courts." Id. (citation omitted). Under *Reed Elsevier*, even if a plaintiff files a claim for copyright infringement without satisfying the § 411(a) registration requirement, a federal district court has jurisdiction over the claim.

2 These exceptions include "where the work is not a U.S. work, where the infringement claim concerns rights of attribution and integrity under § 106A, or where the holder attempted to register the work and registration was refused." *Reed Elsevier, Inc. v. Muchnick*, 130 S. Ct. 1237, 1246, 176 L. Ed. 2d 18 (2010). Additionally, § 411(c)

allows courts to adjudicate infringement actions involving certain types of unregistered works where the author "declare[s] an intention to secure copyright in the work" and "makes [\*8] registration for the work, if required by subsection (a), within three months after [the work's] first transmission." 17 U.S.C. §§ 411(c)(1)-(2).

3 Federal law confers "original jurisdiction of any civil action arising under any Act of Congress relating to . . . copyrights" on United States district courts. 28 U.S.C. § 1338(a). Such jurisdiction is exclusive. *Id.*

This opinion defeats the defendants' argument that this court lacks subject-matter jurisdiction over Axxiom's copyright infringement claim. The motion to dismiss for lack of subject-matter jurisdiction is denied.

### III. Failure to State a Claim

#### A. The Legal Standard under Rule 12(b)(6)

Rule 12(b)(6) allows dismissal if a plaintiff fails "to state a claim upon which relief can be granted." FED. R. CIV. P. 12(b)(6). In *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007), the Supreme Court confirmed that Rule 12(b)(6) must be read in conjunction with Rule 8(a), which requires "a short and plain statement of the claim showing that the pleader is entitled to relief." FED. R. CIV. P. 8(a)(2). To withstand a Rule 12(b)(6) motion, a complaint must contain "enough facts to state a claim to relief that is plausible on its face." *Twombly*, 550 U.S. at 570; [\*9] see also *Elsensohn v. St. Tammany Parish Sheriff's Office*, 530 F.3d 368, 372 (5th Cir. 2008) (quoting *Twombly*, 550 U.S. at 570).

In *Ashcroft v. Iqbal*, U.S. , 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009), the Supreme Court elaborated on the pleading standards discussed in *Twombly*. The Court explained that "the pleading standard Rule 8 announces does not require 'detailed factual allegations,' but it demands more than an unadorned, the-defendant-unlawfully-harmed-me accusation." *Id.* at 1949 (citing *Twombly*, 550 U.S. at 555). With respect to the "plausibility" standard described in *Twombly*, *Iqbal* explained that "[a] claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Id.* (citing *Twombly*, 550 U.S. at 556). The *Iqbal* Court noted that "[t]he plausibility standard is not akin to a 'probability requirement,' but it asks for more than a sheer possibility that a defendant has acted unlawfully." *Id.* (citing *Twombly*, 550 U.S. at 556).

"To survive a Rule 12(b)(6) motion to dismiss, a complaint 'does not need detailed factual allegations,' but

must provide the plaintiff's grounds for [\*10] entitlement to relief--including factual allegations that when assumed to be true 'raise a right to relief above the speculative level.'" *Cuvillier v. Taylor*, 503 F.3d 397, 401 (5th Cir. 2007) (quoting *Twombly*, 550 U.S. at 555); see also *S. Scrap Material Co. v. ABC Ins. Co.* (In re S. Scrap Material Co.), 541 F.3d 584, 587 (5th Cir. 2008) (quoting *Twombly*, 550 U.S. at 555), cert. denied, 129 S. Ct. 1669, 173 L. Ed. 2d 1036 (2009). "Conversely, 'when the allegations in a complaint, however true, could not raise a claim of entitlement to relief, this basic deficiency should . . . be exposed at the point of minimum expenditure of time and money by the parties and the court.'" *Cuvillier*, 503 F.3d at 401 (omission in original) (quotation marks omitted) (quoting *Twombly*, 550 U.S. at 558).

When a plaintiff's complaint fails to state a claim, the court should generally give the plaintiff at least one chance to amend the complaint under Rule 15(a) before dismissing the action with prejudice. See *Great Plains Trust Co. v. Morgan Stanley Dean Witter & Co.*, 313 F.3d 305, 329 (5th Cir. 2002) ("[D]istrict courts often afford plaintiffs at least one opportunity to cure pleading deficiencies before dismissing a case, [\*11] unless it is clear that the defects are incurable or the plaintiffs advise the court that they are unwilling or unable to amend in a manner that will avoid dismissal."); see also *United States ex rel. Adrian v. Regents of the Univ. of Cal.*, 363 F.3d 398, 403 (5th Cir. 2004) ("Leave to amend should be freely given, and outright refusal to grant leave to amend without a justification . . . is considered an abuse of discretion." (internal citation omitted)). However, a plaintiff should be denied leave to amend a complaint if the court determines that "the proposed change clearly is frivolous or advances a claim or defense that is legally insufficient on its face . . . ." 6 CHARLES ALAN WRIGHT, ARTHUR R. MILLER & MARY KAY KANE, FEDERAL PRACTICE AND PROCEDURE § 1487 (2d ed. 1990); see also *Ayers v. Johnson*, 247 F. App'x 534, 535 (5th Cir. 2007) (per curiam) (unpublished) ("[A] district court acts within its discretion when dismissing a motion to amend that is frivolous or futile." (quoting *Martin's Herend Imports, Inc. v. Diamond & Gem Trading U.S. of Am. Co.*, 195 F.3d 765, 771 (5th Cir. 1999))).

In considering a motion to dismiss for failure to state a claim, a district court must limit [\*12] itself to the contents of the pleadings, but that includes attachments thereto. "Documents that a defendant attaches to a motion to dismiss are considered part of the pleadings if they are referred to in the plaintiff's complaint and are central to her claim." *Venture Assocs. Corp. v. Zenith Data Sys. Corp.*, 987 F.2d 429, 431 (7th Cir. 1993); see also *In re Katrina Canal Breaches Litig.*, 495 F.3d 191, 205 (5th Cir. 2007); *Collins v. Morgan Stanley Dean*

Witter, 224 F.3d 496, 498-99 (5th Cir. 2000); Field v. Trump, 850 F.2d 938, 949 (2d Cir. 1998); Branch v. Tunnell, 14 F.3d 449, 453-54 (9th Cir. 1994), *overruled on other grounds by Galbraith v. County of Santa Clara*, 307 F.3d 1119 (9th Cir. 2002). In so attaching, the defendant merely assists the plaintiff in establishing the basis of the suit and the court in making the determination of whether a claim has been stated.

## B. Copyright Infringement

### i. Failure to Allege Registration

As noted, with limited exceptions, the Copyright Act requires copyright holders to register their works before suing for copyright infringement. 17 U.S.C. § 411(a). Although this is not jurisdictional, Forecast argues that Axxiom's copyright infringement claim [\*13] should be dismissed because the complaint does not allege a registered copyright or a pending application. The Supreme Court declined to address in Reed Elsevier whether § 411(a)'s registration requirement is a precondition to suit that district courts may or should enforce on their own. Id. at 1249. Nor did Reed Elsevier address the effect of a plaintiff's failure to allege registration in the complaint.

In the Fifth Circuit, the registration requirement in § 411(a) is met when "the Copyright Office actually receive[s] the application, deposit, and fee before a plaintiff files an infringement action." Positive Black Talk Inc. v. Cash Money Records, Inc., 394 F.3d 357, 365 (5th Cir. 2004), *abrogated on other grounds by Reed Elsevier*, 130 S. Ct. 1237, 176 L. Ed. 2d 18. The plaintiff need not obtain a certificate of registration before filing suit, as is required in some other circuits. Id.

To the extent Forecast argues that Axxiom failed to plead that it met the § 411 requirement as applied in this circuit, Axxiom is granted leave to amend by **July 9, 2010** to address that asserted pleading deficiency. To the extent Forecast argues that evidence will show that the Copyright Office did not in fact receive [\*14] Axxiom's application, deposit, and fee before this infringement suit was filed, resolution of that question requires reference to matters outside the pleadings that this court cannot consider unless it converts the Rule 12(b)(6) motion to dismiss into a Rule 56 summary judgment motion. The motion to dismiss the copyright infringement claim under Rule 12(b)(6) is converted to a summary judgment motion under Rule 56. The parties may supplement the record by **August 20, 2010**.

### ii. Lack of Substantial Similarity

"To prove copyright infringement, a plaintiff must show ownership of a valid copyright and actionable copying." Galiano v. Harrah's Operating Co., 416 F.3d 411, 414 (5th Cir. 2005); see Feist Publ'ns, Inc. v. Rural

Tel. Serv. Co., 499 U.S. 340, 361, 111 S. Ct. 1282, 113 L. Ed. 2d 358 (1991). "A plaintiff bringing a claim for copyright infringement must demonstrate '(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.'" Funky Films, Inc. v. Time Warner Entm't Co., 462 F.3d 1072, 1076 (9th Cir. 2006) (quoting Feist, 499 U.S. at 361). When, as here, there is no direct evidence of copying, the second element requires the plaintiff to prove that the defendants had access [\*15] to the plaintiff's copyrighted work and that there is substantial similarity of protected elements between the two works. See Rice v. Fox Broad. Co., 330 F.3d 1170, 1174 (9th Cir. 2003). "Substantial similarity" may often be decided as a matter of law, on either a motion to dismiss or on summary judgment. See, e.g., Tabachnik v. Dorsey, 257 F. App'x 409, 410 (2d Cir. 2007) (unpublished) (Rule 12(b)(6)); Grosso v. Miramax Film Corp., 383 F.3d 965, 967 (9th Cir. 2004) (Rule 56); Burt v. Time Warner, Inc., 213 F.3d 641, 2000 WL 328117, at \*2 (9th Cir. Mar. 24, 2000) (Rule 12(b)(6)); Williams v. Crichton, 84 F.3d 581, 587 (2d Cir. 1996) (Rule 56).

A court must compare the copyrighted work and the accused work to decide whether there is substantial similarity between the protectable elements in the works. See Williams, 84 F.3d at 588. A court must distinguish between the protectable and unprotectable material because a party claiming infringement may place "no reliance upon any similarity in expression resulting from unprotectable elements." Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435, 1446 (9th Cir. 1994) (quoting Aliotti v. R. Dakin & Co., 831 F.2d 898, 901 (9th Cir. 1987)). [\*16] Copyright law does not protect an idea, but only "the expression of an idea." Williams, 84 F.3d at 587 (citations omitted). The issue is whether there is substantial similarity between the protectable elements of Axxiom's copyrighted catalog and the defendants' manual. See id.

The defendants did not attach any documents to their motion to dismiss. In its response to the motion to dismiss, Axxiom produced the cover page and page 69 from its September 2008 manual, as well as page 39 from the defendants' "SPH/SPR Series Blasters -- User Manual." (Docket Entry No. 10, Exs. 1 and 2). In the reply to the response, the defendants attached the cover page of its User's Manual 3.5/6.5 - SPH/SPR Series Blasters." (Docket Entry No. 11, Ex. 1). The defendants assert that the pages are sufficiently dissimilar in color, fonts, part number prefixes, number of drawings, shading, exploded parts, format, placement, descriptions, use of photographs, trademarks, and copyright notice as to defeat any claim of substantial similarity. The defendants also argue that any similarity in the exploded-view line drawings of the valves is explained by the fact that the valves are

inevitably similar and that the "merger" [\*17] doctrine applies. "The doctrine holds that when an expression of an idea is inseparable from the idea itself, the expression and idea merge." *Kern River Gas Transmission Co. v. Coastal Corp.*, 899 F.2d 1458, 1463 (5th Cir. 1990). Their argument is that because the "idea" of a valve and the "expression" of a valve are inseparable, copying the "expression" is not barred. Axxiom objects to the defendants' reply to the response as raising new matters and evidence after the motion to dismiss was filed.

The defendants attached documents to the reply to the response to the motion to dismiss, not to the motion to dismiss. Given the procedural posture of the case, the absence of a substantive response to the substantial similarity arguments, and the lack of analysis of the role the similar part numbers plays in the copyright infringement claim, this court converts the Rule 12(b)(6) motion to dismiss the copyright infringement claim on the basis of lack of substantial similarity to a Rule 56 summary judgment motion. The parties may supplement the record by **August 20, 2010**.

### C. Unfair Competition

Axxiom alleges that the defendants violated federal and state law by using identical part numbers for [\*18] the corresponding parts, by copying the "look and feel" of Axxiom's printed materials, and by making misrepresentations about the quality of the defendants' goods. (Docket Entry No. 1 P 21). Axxiom asserts unfair competition under § 43(a) of the Lanham Act; common-law unfair competition (under Texas law); and common-law misappropriation (under Texas law).

Section 43(a) of the Lanham Act, codified at 15 U.S.C. § 1125, provides in part:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which-

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or com-

mercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial [\*19] activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1). Courts have interpreted this section of the Lanham Act as providing "protection against a 'myriad of deceptive commercial practices,' including false advertising or promotion." *Pizza Hut, Inc. v. Papa John's Int'l, Inc.*, 227 F.3d 489, 495 (5th Cir. 2000) (quoting *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1387 (5th Cir. 1996)).

To recover under the Lanham Act for false representation, a plaintiff must prove the following elements: "(1) [a] false or misleading statement of fact about a product; (2) [s]uch statement either deceived, or had the capacity to deceive a substantial segment of potential consumers; (3) [t]he deception is material, in that it is likely to influence the consumer's purchasing decision; (4) [t]he product is in interstate commerce; and (5) [t]he plaintiff has been or is likely to be injured as a result of the statement at issue." *Id.* There are two types of actionable statements for Lanham Act purposes: statements that are literally false and statements that, while not literally false, implicitly convey a false [\*20] impression or are misleading and likely to deceive consumers. *Id.* "If the statement is shown to be misleading, the plaintiff must also produce evidence of the statement's impact on consumers, referred to as 'materiality.'" *Healthpoint, Ltd. v. River's Edge Pharms., L.L.C.*, No. SA-03-CV-984-RF, 2005 U.S. Dist. LEXIS 3646, 2005 WL 356839, at \*3 (W.D. Tex. Feb. 14, 2005).

Under Texas law, unfair competition "is the umbrella for all statutory and nonstatutory causes of action arising out of business conduct which is contrary to honest practice in industrial or commercial matters." *Taylor Publ'g Co. v. Jostens, Inc.*, 216 F.3d 465, 486 (5th Cir. 2000). The category of unfair competition includes trademark infringement, dilution of good will, misappropriation of business value, "palming off," and theft of trade secrets. *Healthpoint v. Allen Pharms., LLC*, No.

SA-07-CA-0526-XR, 2008 U.S. Dist. LEXIS 20971, 2008 WL 728333, at \*3 (W.D. Tex. Mar. 18, 2008). "The tort requires that the plaintiff show an illegal act by the defendant that interfered with the plaintiff's ability to conduct its business." *Id.* (citing *Taylor Publ'g*, 216 F.3d at 486). "Although the illegal act need not necessarily violate criminal law, it must at least be an independent tort." [\*21] *Id.* As in *Healthpoint v. River's Edge*, because Axxiom's allegations in support of its unfair competition claim are essentially the same as those in support of its false advertising claim, the court construes the complaint as alleging a primary tort of false advertising with a dependent or supplemental claim for unfair competition. The unfair competition claim is dependent on the false advertising claim. See *River's Edge Pharms., L.L.C.*, No. SA-03-CV-984-RF, 2005 U.S. Dist. LEXIS 3646, 2005 WL 356839, at \*4; see also *Healthpoint, Ltd. v. Ethex Corp.*, No. SA-01-CA-646-OG, 2004 U.S. Dist. LEXIS 27500, 2004 WL 2359420, at \*9 (W.D. Tex. July 14, 2004) ("Healthpoint's allegations in support of its claim of common law unfair competition are those also alleged for false advertising in violation of the Lanham Act. Accordingly, the claim for common law unfair competition will be analyzed under the elements of the claim of false advertising in violation of the Lanham Act." (footnote omitted)). Absent an argument that there are differences between the federal and state versions of unfair competition claims, courts in the Fifth Circuit analyze these claims together. See *King v. Ames*, 179 F.3d 370, 374 (5th Cir. 1999).

The defendants ask this court to [\*22] find under Rule 12(b)(6) that based on the exhibits the defendants attached to their reply to Axxiom's response to the motion to dismiss, there was as a matter of law no likelihood of confusion. (Docket Entry No. 11 at 14). This argument is more appropriately addressed in a motion for summary judgment, not in a motion to dismiss. The motion to dismiss on this basis is denied.

To the extent the defendants move to dismiss the allegations of misrepresentations, however, that motion is granted, with leave to amend. Axxiom's complaint does not provide any information about the misrepresentations it alleges the defendants made about the quality of their goods. The allegation is simply a conclusory statement that misrepresentations were made. Although the Fifth Circuit has not held that a heightened pleading standard under Rule 9 applies to allegations of false statements in an unfair competition claim, there must be some factual allegation about what the alleged misrepresentation was. In *Mylan Laboratories, Inc. v. Matkari*, 7 F.3d 1130, 1138 (4th Cir. 1993), the Fourth Circuit concluded that the plaintiff sufficiently stated a false advertising claim by alleging that the defendant "falsely [\*23] represented" that its product was "bioequivalent to its innova-

tor counterpart and other approved generic equivalents," that the product was "entitled to an AB rating" from the FDA, or that the product was the "generic alternative" to the innovator drug. The court held that "[i]n order to state a proper claim for relief under § 43(a) of the Lanham Act, Mylan was required to point to some claim or representation that is reasonably clear from the face of the defendants' advertising or package inserts." *Id.* at 1139; see also *Solvay Pharms., Inc. v. Global Pharms.*, 298 F. Supp. 2d 880, 886 (D. Minn. 2004) ("The Complaint asserts that Defendants have made false and misleading representations in advertising and marketing regarding the substitutability of Lipram for Creon. These assertions of false and misleading representations are sufficiently particularized to facilitate Defendants' ability to respond to and prepare a defense to the allegations brought against them."). In the present case, the allegation that the defendants violated the Lanham Act by making misrepresentations that their "product specifications are equal to or superior to those of like Axxiom products," (Docket Entry No. [\*24] 1 P 17), is insufficient. This allegation is dismissed, with leave to amend no later than **July 9, 2010**.

The defendants have also moved to dismiss the Texas unfair business practices claims on the basis that they are preempted by the federal Copyright Act, § 17 U.S.C. § 301(a). The defendants argue that Axxiom's complaint is limited to the wrongful copying of the Axxiom catalog. (Docket Entry No. 11 at 18). Axxiom has not, however, limited its complaint to wrongful copying of the catalog. Instead, Axxiom alleges that the defendants used Axxiom part numbers for similar competing products, as well as Axxiom's confidential and proprietary information, to obtain an unfair competitive advantage. The motion to dismiss the Texas unfair competition and business practices claim on the basis of preemption under the Copyright Act is denied.

### III. Conclusion

The defendants' motion to dismiss for lack of subject-matter jurisdiction under Rule 12(b)(1) is denied. The defendants' motion to dismiss under Rule 12(b)(6) is granted in part, with leave to amend by **July 9, 2010**. The motion to dismiss the remaining claims under Rule 12(b)(6) is converted to a summary judgment motion under Rule 56. The parties [\*25] may supplement the record by **August 20, 2010**.

SIGNED on June 21, 2010, at Houston, Texas.

/s/ Lee H. Rosenthal

Lee H. Rosenthal

United States District Judge



LEXSEE 2010 U.S. DIST. LEXIS 46955

CONFERENCE ARCHIVES, INC., Plaintiff, v. SOUND IMAGES, INC., Defendant.

Civil NO. 3:2006-76

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF  
PENNSYLVANIA

2010 U.S. Dist. LEXIS 46955

March 31, 2010, Decided  
March 31, 2010, Filed

**PRIOR HISTORY:** *Conf. Archives, Inc. v. Sound Images, Inc.*, 2007 U.S. Dist. LEXIS 29729 (W.D. Pa., Apr. 23, 2007)

**COUNSEL:** [\*1] For CONFERENCE ARCHIVES, INC., Plaintiff, Counter Defendant: Mark D. Bradshaw, LEAD ATTORNEY, Stevens & Lee, Harrisburg, PA; Michael J. Parrish, Jr., Spence, Custer, Saylor, Wolfe & Rose, Johnstown, PA.

For SOUND IMAGES, INC., Defendant, Counter Claimant: Elizabeth E. Deemer, Melissa A. Walls, LEAD ATTORNEYS, Levicoff, Silko & Deemer, Pittsburgh, PA; Michelle L. Harden, LEAD ATTORNEY, Messner & Reeves, Denver, CO; Bruce A. Montoya, Matthew R. Groves, Messner & Reeves, LLC, Denver, CO.

**JUDGES:** KIM R. GIBSON, UNITED STATES DISTRICT JUDGE.

**OPINION BY:** KIM R. GIBSON

**OPINION**

**MEMORANDUM AND ORDER**

**GIBSON, J.**

Web sites and other electronic media present a new

frontier for the protection of intellectual property rights. While protection of source code and other technological processes have found refuge in copyright or patent law, protection of the "look and feel" of a web site remains unclear. In this matter, a case of first impression in this Circuit, the Court will address this issue.

This matter came before this Court when Defendant filed a Notice of Removal from Court of Common Pleas of Cambria County (Document No. 1). This case presents two questions: first, whether Defendant breached the parties' Non-Disclosure Agreement [\*2] ("NDA") by copying the "look and feel" of the Plaintiff's product; and second, whether copying the "look and feel" of the Plaintiff's product violated various intellectual property protections. Plaintiff filed a motion for partial summary judgment (Doc. No. 82). Defendant filed a motion for summary judgment (Document No. 86). The Court grants in part and denies in part the Defendant's motion, and denies the Plaintiff's motion.

#### FACTS

The facts are largely uncontroverted. Plaintiff, Conference Archives, Inc., and Defendant, Sound Images, Inc., record and reproduce conferences and other meetings through different digital media, including interactive CD-ROMs and streaming Internet video. Plaintiff developed a product called Conference Companion and registered that name as a federal



trademark. Conference Companion displays recorded video in a web page within an Internet browser. Plaintiff's Brief in Support of Motion for Summary Judgment (PBSMSJ) p. 2. In September 2003, Plaintiff and Defendant entered into a Non-Disclosure Agreement ("NDA") to facilitate collaboration between the two parties. The NDA is reproduced as Appendix A of Plaintiff's Statement of Undisputed Material Facts (PSUMF). [\*3] The purpose of the NDA was to preserve confidentiality while allowing each party "access to sufficient information to effect the business purposes reasonably intended by each of them." *Id.*

The companies enjoyed a partnership until a breakdown in relationships in late 2004. Following the breakdown, in or about January 2005, Defendant copied a portion of code from Conference Companion in order to develop a new product, which aimed to emulate Conference Companion. PSUMF P 5-6. The Defendant concedes copying the code in order for its product to have a "consistent" appearance to those previously produced by the Plaintiff. Programmers for the Defendant chose to "mimic" the "look and feel" of Plaintiff's product. PSUMF P 14-15. Plaintiff did not authorize the Defendant's copying of the code. PSUMF P 7.

## ANALYSIS

### I. Standard for Summary Judgment

*Rule 56(c) of the Federal Rules of Civil Procedure* sets forth the standard for summary judgment. Summary judgment should be granted in favor of the movant where "the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter [\*4] of law." The burden is on the movant to show that no genuine issue of material fact exists. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986). A material fact is one "that might affect the outcome of the suit under the governing law." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986). An issue is genuine "if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Id.* at 248. In reviewing the summary judgment record, the Court must "view the facts in the light most favorable to the nonmoving party." *Andreoli v. Gates*, 482 F.3d 641, 647 (3d Cir. 2007).

### II. Defendant Did Not Violate the NDA

The Court will first consider the claim of whether Defendant violated the NDA. Plaintiff contends that the Defendant violated the NDA by copying code from the Plaintiff's web site. Section three of the NDA provides that "without prior written consent of the Disclosing Party, neither the Receiving Party nor its Representatives shall use any Confidential Information except in furtherance of the specific business purposes of any joint venture or similar business arrangement between the two of them." Thus, any information that is "Confidential" will be protected [\*5] by the NDA. Plaintiff contends that the code Defendant copied is confidential. Defendant counters that the information is not confidential. The NDA by its express terms does not apply to "information generally available to the public." The court determines that because the code in question is "information generally available to the public," the NDA provides no remedy, and the Plaintiff fails to state a claim on breach of contract grounds.

#### *A. The NDA Imposes a Duty to Protect "Confidential Information"*

A successful cause of action for breach of contract requires that the Plaintiff establish; "(1) the existence of a contract, including its essential terms, (2) a breach of a duty imposed by the contract and (3) resultant damages." *Gorski v. Smith*, 2002 PA Super 334, 812 A.2d 683, 692 (*Pa. Supp.* 2002). It is undisputed that the NDA constituted a valid contract that provided terms to govern the relations between the parties. Further, the Plaintiff asserts that it was damaged as a result of Defendant copying the code. Therefore, the only remaining issue is whether a duty imposed by the NDA was in fact breached. The Defendant could only have breached the NDA if the terms imposed a duty not to copy the code. [\*6] The court now considers the duties imposed by the NDA.

The language of the contract was duly considered by both parties. As the Plaintiff concedes, the NDA "was not [an] afterthought," and was "signed by both parties" after discussion. PMSJ p. 2. The Plaintiff "produced" the NDA and "required [the Defendant] to sign it." *Id.* *Contra proferentem* contracts should be interpreted against the interests of the party that imposed it. In this case, as the Plaintiff authored the NDA and required the Defendant to sign it, any ambiguous provisions should inure to the benefit of the Defendant.

In order to assess whether the NDA imposes on the

Defendant a duty not to copy the code, the code must fall within the category of "confidential information." Section 2.b of the NDA provides that "Confidential information shall not include (i) information *generally available to the public*, conferencing, seminar and meeting related industries ...." When the intent of the contracting parties can clearly be ascertained, the court's role is to give effect to this meaning. *Amerisourcebergen Drug Corp. v. Am. Associated Druggists, Inc.*, 2008 U.S. Dist. LEXIS 6611, 2008 WL 248933 (E.D.Pa. 2008) citing *Murphy v. Duquesne Univ. of the Holy Ghost*, 565 Pa. 571, 577, 777 A.2d 418 (Pa, 2001) [\*7] ("The fundamental rule in interpreting the meaning of a contract is to ascertain and give effect to the intent of the contracting parties"). This language clearly spells out that information generally available to the public, should not receive the protections of confidentiality. If the information is generally available to the public, it does not receive protections from the NDA.

*B. The Copied HTML Code Is Not Confidential Information and Is Not Protected By the NDA*

The crux of this contract claim depends on whether the code written in the Hyper Text Markup Language (HTML) is "available to the public." If it is publicly available, it is not confidential information, and thus not protected. If the HTML code is not publicly available, it is covered by the NDA, and protected. The reasoning of *Amerisourcebergen Drug Corp. v. American Associated Druggists, Inc.* is instructive. In that case, the parties signed a confidentiality agreement that excluded "certain types of information from the definition of 'Confidential Information' set out in § 1, including information that is generally available to the public; information that becomes *generally available to the public*, other than as a result [\*8] of the breach of the [Confidentiality Agreement]; and information that [Defendant] can establish it already possessed, developed independently, or received from a third party." *Id.* In considering whether the Defendant violated the confidentiality agreement, the Court considered whether the information produced, e-mails in this case, was in fact unavailable to the public.

In the case *sub judice*, Plaintiff freely distributed the Conference Companion CD-ROM to the public at no cost, including conferencing, seminar, and meeting-related industries. Once an individual possesses the CD-ROM, obtaining the HTML code is

straightforward. HTML code consists of "textual instructions that instruct the browser how to display a certain page, and is written in human readable, plain English." DMSJ Exhibit 2, Deposition of Todd Wonders, at pp. 46-47. The Conference Companion CD-ROM is made up primarily of HTML code, which is "completely human readable text" and not machine code. *Id.* at pp. 41-42. In most Internet Browsers, by selecting the "View Source" option, one can instantly view all of the HTML code on a web site. DMSJ p. 6-7. While machine code is hidden, and requires reverse engineering to be read, [\*9] HTML code is "open for all the world to read," *Id.* Defendant did not copy any of the hidden machine code underlying the Conference Companion software. Rather, Defendant merely copied the HTML code that is available to the entire world to instantly view.

The court finds that the HTML code in the Conference Companion software was "generally available to the public" within the meaning of the NDA, and is not confidential information. Plaintiff fails to state a claim on which relief can be granted, as the HTML code in question does not qualify for protection under the NDA based on any plausible reading of the agreement, and the nature of the code copied.

**III. Intellectual Property Protection for the "Look and Feel" of a Web Site**

The Plaintiff's motion for summary judgment is nebulous as to what ground of intellectual property law it relies on. It refers to "theft of trade secrets." PMSJ 1. Elsewhere, the Plaintiff refers to the case as a copyright matter. The brief mentions that "'copying' is generally a matter provided (in, for example, copyright cases)," *id.* at 6, and "unlike many copyright cases, no circumstantial evidence of access to the protected work ... is necessary to reach a conclusion [\*10] [in this case] that copying occurred." *Id.* at 8. Further, the Plaintiff discusses that "copyright case law provides a helpful analogy." *Id.* But later the Plaintiff acknowledges that "this is not a copyright case" yet argues that "copyright caselaw [still] contradicts what appears to the [Defendant's] defense." *Id.* at 10. In a footnote, the Plaintiff reiterates that "this is a breach of contract case, and not a copyright or trademark case per se, although the analogy to these areas of the law were [*sic*] explored in greater detail *infra*." *Id.* at 2, n. 2.

Elsewhere, Plaintiff uses more general terms, and references "piracy of [Plaintiff's] intellectual property," *id.*

. at 4, "technological identity theft," *id.* at 5 n. 7, "outright piracy," *id.* at 7, and "intellectual property had been stolen." *Id.* Later, Plaintiff writes that the "look and feel" of a web site can be "protected in multiple ways, such as by copyrights, trademark, [and] tradadress [*sic*]." Based on this last statement, in connection with the rest of the brief, and with regard to Defendant's Motion for Summary Judgment, construing the facts in favor of the non-moving party, the Court will consider the Plaintiff's claim under [\*11] the doctrines of trade secret law, copyright law, trademark and trade dress law.

#### IV. The "Look and Feel" of a Web Site

The notion of "look and feel" traces its roots to copyright and trademark.<sup>1</sup> Recently, several courts have considered the "look and feel" of web sites, though the courts refer to this concept in varying ways.<sup>2</sup> In different cases, courts have referred to this concept as the "total concept and feel,"<sup>3</sup> the "overall impression,"<sup>4</sup> and the "total feel." *Blue Nile Inc. v. Ice.com Inc.*, 478 F. Supp. 2d 1240, 1241-42 (W.D. Wash. 2007). The Court will refer to this concept as the "look and feel."

1 In copyright, the concept has been limited in application. See Melville B. Nimmer & David Nimmer, 4 *Nimmer on Copyright* § 13.03[A][1][c] (Matthew Bender & Company Inc., 2007).

2 See *Tufenkian Import/Export Ventures Inc. v. Einstein Moomjy Inc.*, 338 F.3d 127, 133 (2d Cir. 2003) (looking at the "total concept and overall feel" as part of the analysis for inexact copies); *Int'l Union, Local 150 v. Team 150 Party Inc.*, 88 U.S.P.Q.2d (BNA) 1532 (N.D. Ill. Sept. 5, 2008) (denying a motion to dismiss a claim of infringement based on a registration that purportedly included the "look and feel" [\*12] of Web sites); *QSRSOFT Inc. v. Rest. Tech. Inc.*, 2006 U.S. Dist. LEXIS 76120 (N.D. Ill. Oct. 19, 2006) (considering preliminary injunction where Defendant stole Plaintiff's software and "look and feel" of its new main page looked like Plaintiff's).

3 See 4 *Nimmer on Copyright* § 13.03[A][1][c].

4 Fred H. Perkins, Alvin C. Lin, *What's Old is New In Web Site Protection*, 7 No. 3 Internet L. & Strategy 3 (March 2009).

#### A. The Technical Elements of the "Look and Feel" of a Web Site

Before dissecting the "look and feel" of a web site, the Court will first discuss three technical elements that determine how a web site appears: colors, orientation, and code elements.

##### 1. Color

Think back to your elementary school art class. By mixing different amounts of red, green, and blue paint--the primary colors--you could create any color. Colors on computers work in the same fashion. On computer displays, colors are formed by combining varying concentrations of red, green, and blue. In order for the computer to accurately recreate the color, the concentrations of red, green, and blue colors are each translated to a number between 0 and 255, with 0 representing the least intensity (dullest color), and 255 representing [\*13] the most intensity (brightest color). Computers translate the number (from 0-255), which is in decimal notation (base 10), into hexadecimal notation (base 16).<sup>5</sup>

5 Andrew Johnson-Laird, *Software Reverse Engineering In The Real World* 19 U. Dayton L. Rev. 843, 868 (1994) ("Hexadecimal is base 16 arithmetic (from the Greek and Latin, hex and decim)").

"Hexadecimal notation has sixteen characters, the numbers 0-9 and the letters A-F, wherein A represents 10, B represents 11, C represents 12, D represents 13, E represents 14, and F represents 15." *In re Alappat*, 33 F.3d 1526, 1538 (Fed. Cir. 1994). The decimal value of 0 corresponds to the hexadecimal value of 00, and the decimal value of 255 corresponds to the hexadecimal value of FF. The three colors (red, green, and blue), are each represented by a two-character hexadecimal notation. These three hexadecimal notions are combined to form a six character string known as a "hex triplet." The hex triplet is preceded by the "#" symbol. For example, a greyish-blue color would be represented by #2468A0. This hex triplet consists of a value of red of 36 (24 in hexadecimal), a value of green of 104 (68 in hexadecimal), and a value of blue of 160 [\*14] (A0 in hexadecimal). These three values combine to form #2468A0.

When considering similar colors between two works, it is not enough to say that both works use a "navy blue" or "dark grey" color. Rather, using the hexadecimal values allows the Court to consider, with a high degree of

certainty, the similarity of different elements. There are over  $256^3$  (256 x 256 x 256) possible unique color value hex triplets, or 16,777,216 unique colors to be precise.<sup>6</sup> While some colors are more common than others, if two products utilize the same exact hex triplet, there is a likelihood that the color was copied.

<sup>6</sup> See Martin Smith, *Hexadecimal Color Theory*, available at [http://www.ewhow.com/about\\_5452316\\_hexadecimal-color-theory.html](http://www.ewhow.com/about_5452316_hexadecimal-color-theory.html).

## 2. Orientation

On a computer screen, the size of elements is measured in a unit known as the pixel. A pixel is a single point on the screen. To put this amount in perspective, a common size, or resolution of computer monitors, is 1,280 pixels in width, and 1,024 pixels in height. All images, tables, and other elements on a web site are similarly measured in pixels. Further, elements are laid out, or oriented on the screen, based on measurements in pixels. For example, [\*15] an image may be 10 pixels down from the top of the page, and 50 pixels over from the left side of the page. When considering the size and orientation of elements of the "look and feel" of a web site, the pixel is the relevant unit of measurement.

## 3. Code Elements

Web sites are generally designed in a markup language known as Hyper Text Markup Language (HTML). Elements on the page, such as images, tables, or text are defined by HTML "tags." A tag is usually a keyword placed between two angle brackets, that instructs the Internet browser how to display the relevant element. For example, in order to add an image element, a programmer would add an image tag, indicated by `<img>`. To add a table element, a programmer would add a table tag, indicated by the `<table>` markup. While HTML code is invisible to the end user surfing the web, the manner in which the code and tags are arranged directly impact how the page looks and feels.

### *B. Case Law Considering the "Look and Feel" of Web Sites*

The leading case dealing with trade dress infringement for the "look and feel" of web sites is *Blue Nile, Inc. v. Ice.com, Inc.* 478 F. Supp. 2d 1240 (W.D. Wash. 2007). In this case, Blue Nile, Inc., an online

diamond [\*16] retailer, developed a web site that allowed users to select and purchase diamonds based on certain factors, including the cost, quality, and size of the stone. Blue Nile sued Ice.com, alleging that Defendant copied elements of the Blue Nile web site that were protected by the Copyright Act. Blue Nile further alleged that Defendant copied the "look and feel" of the Plaintiff's site, in violation of the Plaintiff's trade dress under § 1125(a) of Lanham Act. Based on the face of the complaint, the court was unable to resolve the matter because it could not determine whether an "adequate remedy" existed for the copyright claims. If an "adequate remedy" existed, the trade dress claims would have to be dismissed. Therefore given the "novelty of the Plaintiff's trade dress claim," the court requested "greater factual development." The case subsequently settled outside of court.

In *Faegre & Benson, LLP v. Purdy*, 367 F. Supp. 2d 1238, 1244 (D. Minn. 2004), the Plaintiff asserted that the Defendant's "counterfeit web pages" infringed on their trade dress, and featured "the same color scheme, layout, buttons, fonts, and graphics," and the "overall impression ... is dominated by the substantial incorporation [\*17] of the Plaintiff's design. Defendant countered that the similar elements were parodies. *Id.* To resolve the inquiry of trade dress infringement between the Plaintiff and Defendant's web site, the Court concluded that the "overall dissimilarity" of the Defendant's page "creates a low likelihood of confusion." *Id.* at 1244. The Plaintiff's web site advertised his legal services. The Defendant's web site offered graphic images of aborted fetuses. The court found that these pages "are not similar to or related to any content or design on [Plaintiff's] official web page, or to the content or design that a consumer would be likely to expect to find on a law firm web site." *Id.* Furthermore, that "each web page contains a clear parody disclaimer stating "Critical Faegre Website Parody" decisively eliminates any possible risk of confusion. The Court concluded that because "Purdy's web sites are not likely to cause confusion among consumers, the Court determines that his use of Faegre's trade dress does not constitute trade dress infringement and is not in violation of the Court's Order." *Id.* at 1245.

*SG Services Inc. v. God's Girls Inc.*, 2007 U.S. Dist. LEXIS 61970, 2007 WL 2315437 (C.D. Cal. May 9, 2007), presented the question [\*18] whether the Defendant copying the look and feel of the Plaintiff's web site constituted trade dress infringement. Plaintiff

complained that the Defendant copied several features from its web site, including the use of the color pink and several phrases. However, because the Plaintiff failed to provide an adequate record to document the copying, the Court had to rely on the limited evidence in the Defendant's motion.

Following the three-part analysis to determine trade dress infringement under the Lanham Act, the Court considered the distinctiveness, functionality, and likelihood of confusion of the web site. The court found that the Plaintiff did not prove that the look and feel of the site was distinctive. The "true test" for distinctiveness is whether the look and feel causes the public to associate the look and feel of the web site with the Plaintiff's web site. *2007 U.S. Dist. LEXIS 61970, [WL] at \*10*. The Court imposed a high burden to prove distinctiveness, and considered whether survey evidence demonstrated that a significant percentage of people surveyed associated the look and feel of the Plaintiff's web site with the Plaintiff. *SG Servs. Inc., 2007 U.S. Dist. LEXIS 61970, 2007 WL 2315437, at \*10 (citing Clicks Billiards, 251 F.3d 1252 (9th Cir, 2001) [\*19]* (testamentary evidence from witnesses showing that the Defendant's copying of the Plaintiff's site was intentional would also weigh heavily in the Plaintiff's favor)). With respect to functionality, the Court found that the color and phrases the Defendant copied were not functional, as the features were "merely adornment" and did not "constitute the actual benefit that the consumer wishes to purchase." *SG Servs. Inc., 2007 U.S. Dist. LEXIS 61970, 2007 WL 2315437, at \*8* (citation omitted).

Finally, with respect to likelihood of confusion, the court in *SG Services* did not find that the Defendant's use of colors would generate confusion. While the Plaintiff's web site used the color pink throughout the page, the Defendant's web site was predominantly blue, and only used pink as an accent. *2007 U.S. Dist. LEXIS 61970, [WL] at \*10*. As a result, the Court granted summary judgment for the Defendant, and did not find an infringement of trade dress. *2007 U.S. Dist. LEXIS 61970, [WL] at \*11*. While this case is instructive, it fails to establish general rules to determine when copying a web site violates trade dress, largely due to the insufficient record Plaintiff provided to support its arguments.

In an unpublished opinion from the District of New Jersey, Judge Wolfson considered [\*20] a case where the

Defendant copied portions of the Plaintiff's web site. *Mortg. Mkt. Guide, LLC v. Freedman Report LLC, 2008 U.S. Dist. LEXIS 56871, \*106 (D.N.J. 2008)*. Mortgage Marketing Group (MMG), developed a web site that displayed various visuals to discuss the bond market, including "the featured securities, current pricing, changes from benchmark times, Japanese candlestick charts, stochastics, trend lines, moving averages, support and resistance, charting time periods, printing ability and options [which] all serve particular functions." *Id.* All of these visuals were inextricably linked to their function. A hallmark of trade dress protection is nonfunctionality. Therefore, the court found that these visuals were not protected by trade dress. Rather, due to their creativity and "unique expression," the Court found that they were entitled to copyright protection.<sup>7</sup> Rather than copying the total impression of a site, the Defendant in this New Jersey case copied actual functioning features, which were protectable by the Copyright Act. *Id. 2008 U.S. Dist. LEXIS 56871 at \*135-36*. Had the Plaintiff merely copied visual elements, the copyright act would not apply, and a trade dress remedy may have been viable. [\*21] Thus, this case from the Third Circuit does not resolve whether the "look and feel" of a web site can be protected by trade dress.

<sup>7</sup> *Mortg. Mkt. Guide, LLC v. Freedman Report, LLC, 2008 U.S. Dist. LEXIS 56871, \*106 (D.N.J. 2008)* ("The unique customization options that MMG provides in its bond page combined with its selection and arrangement of such options is protectable under the copyright laws. The number of ways to express each particular financial analysis tool may be limited, but their selection and arrangement into a unique and customizable way to provide financial analysis of the mortgage market is a unique expression. Therefore, the Court rejects Defendants' argument that the idea of providing financial analysis of the mortgage market merges with the unique expression of providing such analysis through specific types of tables, charts, and customization tools.")

Beyond the sparse case law, the academy has developed a growing body of literature discussing whether the "look and feel" of a web site should be protected as a trade secret under the Lanham Act. These articles provide insight into the nature of web sites, and how they differ from traditional media.<sup>8</sup> They also shed light [\*22] on defining the "look and feel" of a web site.

One article characterized the "look and feel" as "including all of the visual or graphic elements and features that contribute to the site's overall impression or 'gestalt.'" <sup>9</sup> Another article notes the "total look and feel of a Web site includes the visual screen display and the command buttons or icons used for navigating the site." <sup>10</sup> A different author indicates that the look and feel of a Web site may include, "the distinctive use of text, graphics, colors, sounds and/or movements." <sup>11</sup>

<sup>8</sup> Fred H. Perkins, Alvin C. Lin, *What's Old Is New In Web Site Protection*, 7 No. 3 Internet L. & Strategy 3 (March 2009) ("The interactive nature of Web sites is another important difference. Web pages are not just static pages; rather, the text, photos, images, and layout and design may depend on the manner in which the site is used. It may be difficult to define the elements that are eligible for protection.").

<sup>9</sup> *Id.*

<sup>10</sup> Lisa M. Byerly, *Look And Feel Protection Of Web Site User Interfaces: Copyright Or Trade Dress?*, 14 Santa Clara Computer & High Tech. L.J. 221, 250-251 (1998).

<sup>11</sup> Internet Law and Practice § 13:10, Internet Law and Practice Database updated. [\*23] July 2009, International Contributors, Part IV. Intellectual Property Issues, Chapter 13. Trademark Infringement and Unfair Competition. *See also* www.alsb.org/Proceedings%20Files/2001/Saunders.pdf *TRADESITE OR WEB DRESS?: TRADE DRESS PROTECTION FOR WEBSITE INTERFACES* by Kurt M. Saunders ("The most significant identifying feature of a website is its design and appearance of the user interface, composed of such features as frames, logos, typefonts, windows, menus, buttons, and pictorial and graphic representations.").

A different concept of trade dress finds that it "create[s] a distinctive look and feel, while provoking subliminal and subconscious associations with the source of the goods or services offered on the website." <sup>12</sup> Further, to receive protection, the design must be so "arbitrary that 'one can assume without proof that [the trade dress] automatically will be perceived ... as an identifier of the source of the product.'" <sup>13</sup> A unique interface that contains, for example, an "elaborate border or motif that is consistently used throughout the site, even

though the site's information is changed and updated, would likely qualify for trade dress protection." <sup>14</sup> No Court has adopted [\*24] any of these definitions.

<sup>12</sup> J. Scott Anderson, *PAINSTAKING SEMANTICS: SELECTING WEBSITE TRADE DRESS ELEMENTS TO SURVIVE A COPYRIGHT*, 7 John Marshall Review Intellectual Property Law Review 97, 115 (2007).

<sup>13</sup> Lisa M. Byerly, *Look And Feel Protection Of Web Site User Interfaces; Copyright Or Trade Dress?*, 14 Santa Clara Computer & High Tech. L.J. 221, 253 (1998).

<sup>14</sup> *Id.* at 258.

#### V. Plaintiff Fails to State a Claim Under Trade Secret Law

Plaintiff begins its summary judgment brief by asserting that "this is a . . . theft of trade secrets case involving a specialized computer program written by the lead software designer for Plaintiff." PBSMSJ p. 1. At no point in the brief does the Plaintiff address why Conference Companion should be treated as a trade secret. The court finds that the HTML code which Defendant copied does not warrant trade secret protection because the code was not secret, and alternatively Plaintiff did not take the requisite steps to keep it secret.

In federal courts, trade secret claims are controlled by state law. *S.I. Handling Systems, Inc. v. Heisley*, 753 F.2d 1244, 1255 (3d Cir. 1985). The controlling statute under Pennsylvania law is Pennsylvania's Uniform Trade Secret [\*25] Law (PUTSL). *12 Pa. Const. Stat. A. §§ 5301-5308*. A trade secret is information that "[d]erives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use." *12 Pa. Const. Stat. § 5302* (2007). Further, the owner of the information must take "efforts that are reasonable under the circumstances to maintain its secrecy." *Id.*

Under Pennsylvania law, factors to be considered in determining whether given information is a trade secret are: (1) the extent to which the information is known outside of the owner's business; (2) the extent to which it is known by employees and others involved in the owner's business; (3) the extent of measures taken by the owner to guard the secrecy of the information; (4) the value of the information to the owner and to his

competitors; (5) the amount of effort or money expended by the owner in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others. *Youtie v. Macy's Retail Holding, Inc.*, 626 F. Supp. 2d 511, 2009 WL 1578043 (E.D. Pa. 2009).

First, [\*26] the information was known outside of the owner's business, due to the fact that Plaintiff freely distributed and sold the files to conference attendees. Any secrecy the information may have once possessed was destroyed after its distribution. The distribution constitutes a public disclosure and defeats any claims for trade secrets. *Midland--Ross Corp. v. Sunbeam Equipment Corp.*, 316 F. Supp. 171, 177 (W.D. Pa. 1970). Second, due to the collaborative agreement Plaintiff and Defendant signed, employees outside the Plaintiff's business certainly had access to the information. Third, Plaintiff placed no restrictions on who could view the HTML. They did not attempt to encrypt the information, and the code was easily accessible. DMSJ Ex. 2, Deposition of Todd Wonders, at pp. 41-42. Fourth, the value of the information is questionable. Plaintiff did not adequately establish the nature of its damages.

Fifth, while the Conference Companion software is an elaborate computer program, the HTML code in question is relatively simple, and Defendant's expert acknowledged that he was able to recreate the code in a few days. This fact suggests that the amount of effort to develop the information is minimal. [\*27] The sixth, and most dispositive factor, is that the information can be copied with great ease. In most Internet Browsers, by selecting the "View Source" option, one can instantly view all of the HTML code in a few seconds, and copy the code. *See* DMSJ 6-7. Because this information is so easy to duplicate, and the Plaintiff took no measures to prevent its dissemination, the HTML code cannot be protected under trade secret law. Considering these factors, the Court finds that the HTML code Defendant copied cannot be considered a trade secret. The Court grants Defendant's Motion for Summary Judgment with respect to the trade secret claim.

## VI. The Intersection of Copyright Protection and Trade Dress Protection

The Constitution grants Congress the enumerated power to make all laws necessary and proper to "promote the progress of science and useful arts, by securing for

limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. Constitution, Article I, § 8. The protection of intellectual property stands as one of the bedrock principles of our Constitution.<sup>15</sup> In the context of protecting the "look and feel" of a web site, two possible intellectual [\*28] property doctrines exist: the Copyright Act, to protect copyrights, and the Lanham Act, to protect trade dresses.

15 THE FEDERALIST No. 43 (James Madison) (Praising the "science and useful arts" clause, writing that "The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged, in Great Britain, to be a right of common law.").

Historically, trade dresses were easy to describe as items were static and unchanging. Such concepts as a brown wrapper, or a purple pill, are easily reducible to descriptive terms. In contrast, web sites are dynamic, interactive, and engaging. They frequently change, yet they retain certain common elements. The Internet is simply different. One standard to define this appearance has been termed the "look and feel." Before defining the look and feel, the Court must first resolve the question of whether it should be protected by the Copyright Act or trade dress protection. To resolve this question, the Court must first determine whether the "look and feel" of a web site falls within the subject matter of the Copyright Act. If the "look and feel" of a web site is copyrightable, the Copyright Act preempts any claim under [\*29] the Lanham Act. No court in this Circuit has ever directly resolved this issue.

### A. Copyright Protection

The hallmark of copyright protection is originality. The Copyright Act grants copyright protection for "original works of authorship fixed in any tangible medium of expression," including "pictorial, graphic, and sculptural works." 17 U.S.C. § 102(a)(5). The "*sine qua non* of copyright is originality," and all works must be original in order to receive copyright protection. *Feist Publications, Inc. v. Rural Telephone Serv. Co., Inc.*, 499 U.S. 340, 345, 111 S. Ct. 1282, 113 L. Ed. 2d 358 (1991). The Supreme Court has recognized that in order to be "original," the work in question must have been "independently created by the author (as opposed to copied from other works)," and it must "possess[] at least some minimal degree of creativity." *Id.* A work can "make the grade quite easily" as long as "it possesses some

creative spark." *Id* The copyright act requires a low threshold level of creativity. *Darden v. Peters*, 488 F.3d 277, 286 (4th Cir. 2007).

When determining whether a copyright should be granted on grounds of originality, the Register of Copyrights must determine if the submitted material "constitutes copyrightable subject [\*30] matter." 17 U.S.C. § 410(a). Some works lack the "minimum level of creativity and do not qualify for copyright protection." *Darden*, 488 F.3d at 286. This "narrow category of works in which the creative spark is utterly lacking or so trivial as to be virtually nonexistent" are outside the subject matter of copyrightable material. *Feist*, 499 U.S. at 359. The Copyright Office provides a non-exhaustive list of works that fail to meet the minimum level of creativity; "[w]ords and short phrases such as names, titles, and slogans; familiar symbols or designs; mere variations of typographic ornamentation, lettering or coloring; mere listing of ingredients or contents." 37 C.F.R. § 202.1(a).

The Register examines applications for registration to determine if "the material deposited constitutes copyrightable subject matter and ... the other legal and formal requirements of [the Copyright Act] have been met." 17 U.S.C. § 410(a). If the application constitutes copyrightable subject matter, then the Register must issue a certificate of registration to the applicant. *Id*. If the Register determines that "the material deposited does not constitute copyrightable subject matter or that the claim is invalid [\*31] for any other reason," then the Register must refuse registration and notify the applicant of the reasons for refusal. *Id*. The scope of "copyrightable subject matter" is defined by a list of protected forms of expression found in 17 U.S.C. § 102.<sup>16</sup> If an item is not within this list, it is not considered copyrightable subject matter.

16 17 U.S.C. § 102. "(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5)

pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.").

The "substantial similarity" standard is used to determine whether one work infringes upon another. The standard for finding an infringement of copyright is important, as protection [\*32] for intellectual property "is only as strong as the potential for enforcing the protection against a wrongdoer."<sup>17</sup> The substantial similarity test only requires circumstantial evidence that the infringer had access to the material in order to copy it, or if there is direct evidence the infringer copied the material.<sup>18</sup> Due to the ease with which users can view web sites, proving access is not a difficult task. The greatest obstacle to obtaining relief from the Copyright Act to protect the look and feel of a web site will be proving originality.<sup>19</sup>

17 Lisa M. Byerly, *Look And Feel Protection Of Web Site User Interfaces: Copyright Or Trade Dress?*, 14 Santa Clara Computer & High Tech. L.J. 221, 234 (1998).

18 *Id*.

19 *Id*. at 235.

#### B. Trade Dress Protection and the Lanham Act

While the Copyright Act aims to protect original work, trademark and trade dress protection apply to any communication that conveys meaning, even if unoriginal. Trade dress is a form of trademark protection that refers to the "total image and overall appearance of a product." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 764-65 n. 1, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992) (quoting *Blue Bell Bio-Medical v. Cin-Bad, Inc.*, 864 F.2d 1253, 1256 (5th Cir. 1989)). [\*33] A creator does not need to register a trade dress under § 43(a) of the Lanham Act to qualify for protection as an unregistered trade dress. 15 U.S.C. § 1125. Protection for distinct trade dress allows consumers to reasonably assume that products that appear similar are in fact from the same provider. If consumers can be misled by confusingly similar trade dresses, consumers may be led to make misinformed decisions. Trade dress law encourages designers to invest in the "good will" generated by their products, so as to link a specific dress to a specific product, and minimize consumer confusion.<sup>20</sup> This "good will" encourages producers to create products of high quality, and this benefits society. *Landscape Forms, Inc. v. Columbia Cascade Co.*, 940 F. Supp. 663,



666-667 (S.D.N.Y. 1996) (quoting *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968) ("If such confusion occurs, meaningful competition is frustrated because '[w]ithout some...method of product identification, informed consumer choice, and hence meaningful competition in equality, could not exist.")).

20 Lisa M. Byerly, *Look And Feel Protection Of Web Site User Interfaces: Copyright Or Trade Dress?*, 14 Santa Clara Computer & [\*34] High Tech. L. J, 221, 248 (1998). See also, J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 2.10 (3d ed. 1996).

Trade dress refers to the "manner in which the goods or services are presented to prospective purchasers . . ." to indicate the creator of the dress. *Restatement (Third) of Unfair Competition* § 16 cmt. a (1995). A trade dress includes the "arrangement of identifying characteristics or decoration connected to a product, whether by packaging or otherwise, intended to make the source of the product distinguishable from another and to promote it for sale." *Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 1239 (6th Cir. 1991). In *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 162, 115 S. Ct. 1300, 131 L. Ed. 2d 248 (1995), the Supreme Court held that the Lanham Act defines the items that can qualify for trademark protection "in the broadest of terms." See 15 U.S.C. § 1127. People might use "almost anything at all that is capable of carrying meaning" as a "symbol" or "device" to define trademarks in the Lanham Act. *Id.* Trade dress may include "features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." [\*35] *John J. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983). By necessity, the definition of trade dress is broad, and is "essentially [a business's] total image and overall appearance." *Blue Bell*, 864 F.2d at 1256.

Courts have found that the decor of a restaurant, *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 765, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992) (decor being described as "a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon

stripes. Bright awnings and umbrellas continue the theme."), the color and shape of pill capsules, *Ciba-Geigy Corp. v. Bolar Pharmaceutical Co.*, 547 F.Supp. 1095 (D.N.J. 1982), *off'd per curiam*, 719 F.2d. 56 (3d Cir. 1983), *cert. denied*, 465 U.S. 1080, 104 S. Ct. 1444, 79 L. Ed. 2d 763 (1984) (blue/white and pink/white opaque colors and use of a capsule shape as opposed to tablets protected), the look of a greeting card line, *Roulo v. Russ Berrie & Co., Inc.*, 886 F.2d 931 (7th Cir. 1989), [\*36] *cert. denied*, 493 U.S. 1075, 110 S. Ct. 1124, 107 L. Ed. 2d 1030 (1990), the design and format of magazine covers, *Time Inc. v. Globe Communications Corp.*, 712 F.Supp. 1103 (S.D.N.Y. 1989), the shape of physical features on a briefcase, *Ventura Travelware v. A to Z Luggage*, 1 U.S.P.Q. 2d 1552 (E.D.N.Y. 1986), and the layout of a kiosk display, *Butterick Co. v. McCall Pattern Co.*, 222 U.S.P.Q. 314, 317 (S.D.N.Y. 1984) are all protectable trade dresses.

Trade dress protection is substantially broader than copyright protection, yet provides less enforcement. The Supreme Court recognized the parallel role of these two intellectual property protections, and noted that there is no difference between a word trademark and a visual trade dress, except for the fact that a trademark may be expressed orally, while a trade dress must be seen. See *Two Pesos*, 505 U.S. 763, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992). In the same sense that words protected by a trademark create a semantic impression, appearances protected by a trade dress create a visual impression.

### C. Copyright Preemption and the Lanham Act

Section 301(a) of the Copyright Act preempts all claims that may arise under state common law or other statutory grounds.<sup>21</sup> On its face, § 301(a) does not limit remedies [\*37] under other federal statutes. However, "courts have long limited application of the Lanham Act so as not to encroach on [federal] copyright interests."<sup>22</sup> If a court finds that copyright laws "provide[] an adequate remedy," any remedy under the Lanham Act is preempted. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 34, 123 S. Ct. 2041, 156 L. Ed. 2d 18 (2003) ("Thus, in construing the Lanham Act, we have been careful to caution against misuse or over-extension of trademark and related protections into areas traditionally occupied by patent or copyright.") (internal quotation omitted).

21 See 17 U.S.C. § 301(a) ("Hereafter, no person is entitled to any such right or equivalent

right in any such work under the common law or statutes of any State."). Madison presaged the need for a federal standard of Copyright Law in Federalist No. 43, observing, "The right to useful inventions seems with equal reason to belong to the inventors. The public good fully coincides in both cases with the claims of individuals. The States cannot separately make effectual provisions for either of the cases, and most of them have anticipated the decision of this point, by laws passed at the instance of Congress,"

22 I *Nimmer on Copyright* § 1.01 [D][2] [\*38] at 1-83.

Claims for copyright infringement under the Copyright Act, and claims for Trade Dress Infringement under the Lanham Act are mutually exclusive. A Plaintiff cannot receive a remedy for both. If an adequate remedy exists for the Copyright Act, no remedy lies for the Lanham Act claim. If a work was granted copyright registration, this serves as strong evidence that the subject matter falls within the Copyright Act, and cannot be protected by trade dress.<sup>23</sup> In order for a designer's creation to receive trade dress protection, it must survive a copyright preemption challenge. In order to withstand preemption, "the trade dress elements must be specifically identified and painstakingly selected."<sup>24</sup>

23 See generally 2 *Nimmer on Copyright* § 7.16 (discussing the significance of copyright registration).

24 J. Scott Anderson, *PAINSTAKING SEMANTICS: SELECTING WEBSITE TRADE DRESS ELEMENTS TO SURVIVE A COPYRIGHT*, 7 *John Marshall Review Intellectual Property Law Review* 97, 111 (2007).

## VII. Plaintiff Fails to State a Claim That Defendant Violated the Copyright Act

The high standard of proving originality under the Copyright Act, in the context of web sites, was discussed in an Eastern District [\*39] of New York case. *Crown Awards, Inc. v. Trophy Depot*, 2003 U.S. Dist. LEXIS 25205, 2003 WL 22208409 (E.D.N.Y. Sept. 3, 2003). In this case, Plaintiff asserted copyright protection for various elements of its web site, including (1) the "product line tabs at the top of the page"; (2) the three-frame website design with a thumbnail image of the catalog; and (3) the specific text of the website. 2003 U.S. Dist. LEXIS 25205, [WL] at \*12. The Court rejected this

claim, finding that the look and feel of the web site, including the tabs, the three-frame design, and the text, were insufficient to constitute an "original" copyrightable work. 2003 U.S. Dist. LEXIS 25205, [WL] at \* 13. In *Crown Awards*, the court identified the difficulty of creating original Internet content, and found "The mere use of a three frame design, the use of a small picture of the catalogue on the upper right side and the use of promotional language ... are insufficient to create an 'original' compilation of elements that forms the basis for copyright protection." 2003 U.S. Dist. LEXIS 25205, [WL] at \*13. Though the court found similarities, "the similarity derives from unprotectable elements." 2003 U.S. Dist. LEXIS 25205, [WL] at \*15.

In a footnote in *Blue Nile*, a leading case dealing with protecting the "look and feel" of a web site, the Court addressed the issue [\*40] of whether the "look and feel" of a web site is copyrightable. The court noted that "the Copyright Office and at least one author have commented that copyright protection may *not* cover the overall format, or the *look and feel*, of a website." *Blue Nile, Inc. v. Ice.com, Inc.*, 478 F. Supp. 2d 1240, 1244 n. 4 (W.D. Wash. 2007). The court cited *Darden*, which agreed with a Copyright Office's examiner that "protection for the overall format of a web page is inconsistent with copyrightability," *Darden*, 402 F. Supp. 2d 638, 644 (E.D.N.C. 2005).

At trial, *Darden* alleged that the "look and feel" of his web site should be protected under the Copyright Act. The District Court rejected this claim. On appeal, *Darden* argued that "the special combination of font and color selection; visual effects such as relief, shadowing, and shading; labeling; and call-outs" on his web site revealed his "creative efforts," and warranted copyright protection. In a decision which was subsequent to the holding in *Blue Nile*, the Fourth Circuit affirmed the trial court's ruling. *Darden v. Peters*, 488 F.3d 277, 281 (4th Cir. 2007).

The Fourth Circuit, granting deference to the finding of the Copyright Examiner Officer [\*41] the Conference Archive's product... A small portion of the HTML used in Sound Images' CD-rejecting *Darden's* claim, the Copyright Office noted that a website may well contain copyrightable elements, but its format and layout is not registrable."). The court, assuming a "discretionary standard," found that the work did not meet the "minimum standard of originality for a copyright claim." *Id.* at 286. While certain elements of a web site would

clearly fall within the subject matter of copyright, including the text of the page, software code, and certain creative graphical elements,<sup>25</sup> the elements that create the look and feel of a web site may "fall completely outside the subject matter of the Copyright Act and, thus, escape preemption."<sup>26</sup>

25 J. Scott Anderson, *PAINSTAKING SEMANTICS: SELECTING WEBSITE TRADE DRESS ELEMENTS TO SURVIVE A COPYRIGHT*, 7 John Marshall Review of Intellectual Property Law 97, 114 (2007) ("The subject matter cases illustrate the need to clearly identify and define the exact web content for which trade dress protection is being sought. Along a spectrum of possible trade dress elements, original text most clearly falls within the subject matter of copyright because [\*42] it may be protected as a literary work. Control elements such as the software code and underlying controls may also be protected as literary works. Original and creative graphics elements may be protected by copyright as a pictorial or graphic work.").

26 *Id.*

Proving the originality of the look and feel of a web site could be difficult, as Internet pages are "straightforward or just simplistic presentations of information."<sup>27</sup> Simplistic web sites "may lack highly creative, visual graphics and, instead, contain mostly functional elements used for navigating through the information on the site."<sup>28</sup> They often just "arrange facts or information" and may lack the "originality required for copyright protection."<sup>29</sup> Under the merger doctrine, if "there are only a few alternatives available for creating the design of a Web site, such that the idea merges with the expression, copyright protection will not be extended to that expression."<sup>30</sup>

27 Lisa M. Byerly, *LOOK AND FEEL PROTECTION OF WEB SITE USER INTERFACES: COPYRIGHT OR TRADE DRESS?* 14 Santa Clara Computer & High Tech. L.J. 221, 231-32 (1998).

28 *Id.* at 233.

29 *Id.*

30 *Id.* See *Apple Computer, Inc. v. Microsoft Corp.*, 799 F.Supp. 1006, 1021 (N.D. Cal. 1992) [\*43] (explaining merger doctrine). See also 17

*U.S.C.A. § 102(b).*

In this case, considering the factors set forth in *Crown Awards*, *Blue Nile*, and *Darden*, the "look and feel" of the Plaintiff's web site should not receive protection under the Copyright Act. While individual elements of the Conference Companion web site may receive copyright protection, the web site as a whole is beyond the scope of the subject matter of the Copyright Act. In fact, the three elements identified in *Crown Awards* bear great similarity to the items allegedly copied by Defendant from Conference Companion. As in *Crown Awards*, these elements are not protected by the Copyright Act. Because the "look and feel" is not copyrightable, Plaintiff fails to state a claim on which relief can be granted with respect to a claim under the Copyright Act. And because the "look and feel" of the web site does not receive protection under the Copyright Act, the Copyright Act does not preempt the Lanham Act claim. Thus, a violation of the Lanham Act is possible.

#### VIII. Plaintiff States a Claim That Defendant Violated the Plaintiffs Trade Dress

While the Plaintiff registered the name "Conference Companion" as a federal trademark, there [\*44] is no evidence that Defendant infringed on that trademark. Thus, Plaintiff fails to state a claim on trademark grounds. However, the Plaintiff states a claim on which relief can be granted with respect to a trade dress claim under the Lanham Act, and Defendant's Motion for Summary Judgment on this count is denied.

##### A. The "Look and Feel" of a Web Site Can Constitute a Trade Dress

This issue of whether the "look and feel" of a web site should receive trade dress protection under the Lanham Act presents a case of first impression for this Circuit. Considering a web site through the lens of copyright law allows the courts to ignore certain intangible elements. Focusing on the look and feel of a web site through the prism of trade dress suits allows courts to protect these attributes.<sup>31</sup> Further, a "look and feel" analysis is suited to protect not only static elements such as "photos, colors, borders, or frames," but also "interactive elements and the overall mood, style or impression of the site."<sup>32</sup>

31 Fred H. Perkins, Alvin C. Lin, *What's Old Is New In Web Site Protection*, 7 No. 3 Internet L. &

Strategy 3 (March 2009) ("Articulating claims in terms of the "total look and feel" of a site [\*45] may prove an effective way to keep a court from overlooking its intangible elements. When faced with a situation where the essence of a client's Web site has been copied - but few, if any, traditionally protectable features - one should consider pleading a claim under copyright, trade dress and/or common law unfair competition where the critical part of the claim is that the overall "look and feel" of the site has been wrongly usurped to the client's detriment.").

32 *Id.*

Despite several attempts from the courts and the academy, the "look and feel" of a trade dress remains a nebulous concept, largely due to the novelty of this technology. All of these explanations aim to answer the same question: How does a web site look *and* feel? Yet courts treat these two concepts as an amalgamation. It may be helpful to consider "look" and "feel" as separate elements in order to explore the contours of this dynamic concept. The "look" comprises aspects of a web site's design including the colors, shapes, layouts, typecases, and shapes. While the "look" can be readily understood under existing trade dress doctrines, the "feel" presents a new wrinkle.

A web site is conceptually different from traditional [\*46] print media. It is useful to visualize a web site user interface not as a static presentation, but rather as a series of overlapping layers aimed at accomplishing specific tasks.<sup>33</sup> At the most concrete level is the "visual design," which is the graphic treatment or interface elements. This layer represents the "look" in the "look and feel." Below the "visual design" is the "interface design," which facilitates user interaction with functionality. The information in this layer facilitates the user's understanding and interaction with the page. This would represent the "feel" in the "look and feel." The "feel" corresponds to certain dynamic navigation elements, including buttons, boxes, menus, and hyperlinks. These intangible and interactive elements contribute to the feel. The feel can also consist of the "information design of a web site, including the . . . location of common elements such as navigation elements."<sup>34</sup> According to this model, the two critical layers to consider when defining the "look and feel" are the "visual design" and the "interface design." These two elements combined "encompass not only static elements such as particular photos, colors,

borders or frames, but [\*47] also interactive elements and the overall mood, style or impression of the site."<sup>35</sup>

33 This model is adapted from Andrew Sears & Julie A. Jacko, *The Human-Computer Interaction Handbook-Fundamentals, Evolving Technologies and Emerging Applications*, Second Edition p. 900 (2007).

34 See Web Site Look & Feel; Overview, Massachusetts Institute of Technology Administrative Computing Developers Resources, available at [http://web.mit.edu/ist/org/admincomputing/dev/ws\\_webstand.shtml](http://web.mit.edu/ist/org/admincomputing/dev/ws_webstand.shtml).

35 Fred H. Perkins, Alvin C. Lin, *What's Old Is New In Web Site Protection*, 7 No. 3 Internet L. & Strategy 3 (March 2009).

A consistent "look and feel" will "allow[] users to develop an intuitive model for using" a web site.<sup>36</sup> The intuitiveness of a web site allows users to rely on the predictability of the design when they need to utilize the web site; "the intuitive model helps users learn new functions and transactions more quickly and easily."<sup>37</sup> A major goal of product design is to develop "cognitive absorption," defined as a "state of deep involvement... exhibited through temporal dissociation, focused immersion, heightened enjoyment, control and curiosity."<sup>38</sup> An emotional response to a visual design, commonly [\*48] known as an "affect, is a complex interaction of immediate reactions modulated by experience with previous situations and cognitive predictions of future states."<sup>39</sup>

36 See Web Site Look & Feel: Overview, Massachusetts Institute of Technology Administrative Computing Developers Resources, available at [http://web.mit.edu/ist/org/admincomputing/dev/ws\\_webstand.shtml](http://web.mit.edu/ist/org/admincomputing/dev/ws_webstand.shtml).

37 *Id.*

38 Andrew Sears & Julie A. Jacko, *The Human-Computer Interaction Handbook: Fundamentals, Evolving Technologies and Emerging Applications*, Second Edition p. 901 (2007).

39 *Id.* ("a user's immediate and reflexive affect reaction to [information technology] has a positive impact on his or her consequence cognition oriented evaluations of the

[technology].")

Combined, the "look" and "feel" coalesce to form a protectable virtual experience that provides the user with "cognitive absorption"; a graphical user interface that facilitates the development of an intuitive engagement. This interface promotes the efficient, predictable, and reliable use of a web site. The hallmark of a protectable "look and feel" trade dress is a graphical user interface that promotes the intuitive use of the web site.

In many respects, trade dress protection, [\*49] which focuses on the likelihood of consumer confusion, is better suited to protect Web site user interfaces, than copyright law, which merely considers the similarities between two types of expression.<sup>40</sup> "Focusing on a site's overall 'look and feel' provides the court with greater flexibility to fashion the scope of protection needed to shield a Plaintiff from a 'careful' infringer who has wrongly imitated the 'essence' of a Web site without copying its specific traditionally protectable elements."<sup>41</sup> Where the design of a web site cannot meet the strictures of copyright protection, the trade dress protection, as applied to the "look and feel" aims to adapt to the evolving nature of intellectual property rights on the Internet.

<sup>40</sup> Lisa M. Byerly, *Look And Feel Protection Of Web Site User Interfaces; Copyright Or Trade Dress?*, 14 Santa Clara Computer & High Tech. L.J. 221, 248 (1998).

<sup>41</sup> Fred H. Perkins, Alvin C. Lin, *What's Old Is New In Web Site Protection*, 7 No. 3 Internet L. & Strategy 3 (March 2009).

The intuitive value of "look and feel" undergirds many of the purposes of trade dress law.<sup>42</sup> First, the "look and feel" of a web site aims to support and protect a firm's reputation. [\*50] Like the famed Coca-Cola classic dynamic ribbon, or the iconic Apple logo, on the Internet, the appearance of a web site is essential to a firm's standing in the market. The simple layout of Google's home page, the listing of tweets on Twitter.com, or the organization of photographs and status updates on Facebook.com are all integral to the recognition of their brands, and consequently the firm's reputation. When a person visits a web site, she is comforted by the distinctive design, knowing that the look and feel is clearly associated with a specific brand name. This branding facilitates the association with a firm's reputation.

42 Mitchell M. Wong, *The Aesthetic Functionality Doctrine And The Law Of Trade-Dress Protection*, 83 Cornell L. Rev. 1116, 1123 (1998) ("First, trademark law attempts to protect a firm's reputation. Second, trademark law protects firms from unjust enrichment by imitators. Third, trademark law facilitates meaningful consumer choice in the market. Last, trademark law encourages the production of high-quality products").

Second, protecting the "look and feel" of a web site prevents imitators from receiving unjust enrichment. The allure of copying, and expropriating [\*51] the "look and feel" on the web site is appealing. Copying HTML code, which is viewable by anyone, is facile. And, because the Internet is so large, programmers can be somewhat confident that their copying will likely go unnoticed. An infringing programmer unjustly enriches herself by expropriating the cognitive absorption and intuitive properties of the creator's design. Rather than investing the work and effort in developing and marketing a new design, the copier simply aims to tag onto the hard work of another. Providing some teeth to trade dress protection will limit the ability of imitators to receive unjust enrichment.

Third, by shifting the incentives to create, protecting the "look and feel" of a web site encourages producers to develop high quality products. Why would a programmer invest the requisite time, effort, and skill into the design of an exemplar web site when a competitor could merely expropriate the "look and feel"? Unless a programmer had actually infringed on protected copyrighted or trademarked material, this action would likely leave the original creator without a remedy. This protection cuts to the heart of rewards for innovation and ingenuity. Considering a [\*52] web site's "look and feel" allows the court to protect the intellectual property from a "careful infringer" who has merely copied the "essence" of a Web Site without copying elements protectable by copyright law.<sup>43</sup> For these reasons, the Court finds that the "look and feel" of a web site can constitute a trade dress, protected by the Lanham Act.

<sup>43</sup> Fred H. Perkins, Alvin C. Lin, *WHAT'S OLD IS NEW IN WEB SITE PROTECTION 7 NO. 3 Internet L. & Strategy 3*, Internet Law & Strategy (March, 2009).

#### *B. Standard for Trade Dress Protection*

If a work is protected by trade dress, and can survive copyright preemption, the designer has "a lower burden of proof required to establish trade dress infringement" as "[p]roving trade dress distinctiveness, non-functionality, and a likelihood of consumer confusion is generally easier than proving copying and substantial similarity between competing works of authorship."<sup>44</sup> Copyright preemption stands as a significant barrier to state a trade dress infringement suit to protect the look and feel of a web site. After bypassing copyright preemption, the claim will still need to identify and select protectable trade dress elements, and plead them with particularity [\*53] to avoid any overlapping trade dress and copyright claims.<sup>45</sup> In short, "The trademark standard [under the Lanham Act] for infringement is more favorable for protecting Web site interfaces because it focuses on consumer perceptions and market factors-not the actual creative expression in the site."<sup>46</sup>

44 J. Scott Anderson, *Painstaking Semantics: Selecting Website Trade Dress Elements To Survive A Copyright*, 7 John Marshall Review Intellectual Property Law Review 97, 111-12 (2007). See *Insty\*Bit, Inc. v. Poly-Tech Indus., Inc.*, 95 F.3d 663, 667 (8th Cir. 1996) (listing elements that must be proven to satisfy trade dress protection under the Lanham Act). See, e.g., *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930) (addressing the question of "whether the part [of the play] taken was 'substantial' and therefore not a 'fair use' of the copyrighted work; it is the same question that arises in the case of any other copyright work").

45 J. Scott Anderson, *Painstaking Semantics: Selecting Website Trade Dress Elements To Survive A Copyright*, 7 John Marshall Review Intellectual Property Law Review 97 (2007).

46 Lisa M. Byerly, *Look And Feel Protection Of Web Site User Interfaces: [\*54] Copyright Or Trade Dress?*, 14 Santa Clara Computer & High Tech. L.J. 221, 253 (1998).

The test to establish trade dress infringement requires that the Plaintiff prove that: (1) the trade dress at issue is distinctive and thus indicates the source of the Plaintiff's goods; (2) the trade dress is primarily nonfunctional; and (3) the trade dress of competing goods is confusingly similar. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

## I. Distinctiveness

Distinctiveness is the "mental association by a substantial segment of consumers and potential consumers between the trade dress in question and the source of that trade dress. *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1354 (9th Cir. 1985). The test for distinctiveness considers several factors: (1) the degree and manner of advertising under the claimed trademark; (2) the length and manner of use of the claimed trademark; (3) whether use of the claimed trademark has been exclusive; (4) evidence of substantial sales, advertising, and promotional activities; (5) any unsolicited media coverage of the product; and (6) any attempts to plagiarize the mark. *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1384, n. 6 (9th Cir. 1987).

In [\*55] order for a web site to be distinct, the site must be either "inherently distinctive or have acquired distinctiveness."<sup>47</sup> The Supreme Court has held that "design, like color is not inherently distinctive." *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 212, 120 S. Ct. 1339, 146 L. Ed. 2d 182, (2000). Trade dress protection for a feature of a site will be unavailable if the feature is merely decorative or aesthetic, as the appearance cannot be said to distinguish one web site from another.

47 Internet § 13:10 Look and Feel of Web Sites. See also, *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 212, 120 S. Ct. 1339, 146 L. Ed. 2d 182 (2000) (note that product design and color cannot be inherently distinctive and therefore require a showing that they have become distinctive or acquired secondary meaning under 15 U.S.C.A. § 1052(f)).

Professor Kurt Sanders suggests that in the context of web sites, the "the issue of distinctiveness will be considered in the aggregate and a court would likely consider the entire layout of the website interface."<sup>48</sup> Further, Saunders remarks that "if a user would recognize the source of a website by the unique audiovisual design or its overall combination of features and colors, then that website is distinctive [\*56] and capable of trade dress protection."<sup>49</sup>

48 See *Tradesite Or Web Dress?: Trade Dress Protection For Website Interfaces* by Kurt M. Saunders, available at

www.alsb.org/Proceedings%20Files/2001/Saunders.pdf and  
 http://74.125.93.132/search?q=cache:XwqQfxKyISgJ:www.alsb.org/Proceedings%2520Files/2001/Saunders.pdf+TRADESITE+OR+WEB+DRESS%3F:+TRADE+DRESS+PROTECTION+FOR+WEBSITE+INTERFACES+by+Kurt+M.+Saunders&hl=en&gl=us.  
 49 *Id.*

## 2. Functionality

In order to be protected as a trade dress, the feature the Plaintiff seeks to protect must be nonfunctional. *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29, 121 S. Ct. 1255, 149 L. Ed. 2d 164 (2001). A feature is considered functional if it is "essential to the use or purpose of the product or if it affects the cost or quality of the product, or is the actual benefit that the consumer wishes to purchase." *Id.* In trade dress law, the purpose behind the doctrine of functionality aims to "encourag[e] competition by preventing advances in functional design from being monopolized." *Le Sportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 77 (2d Cir. 1985). Concerns about the monopolization are minimized in the context of web sites, as "[h]aving a monopoly on the overall arrangement, [\*57] i.e., trade dress, of the Web site user interface would not interfere with competition because there would be so many other equally efficient ways to arrange a site." <sup>50</sup>

<sup>50</sup> Lisa M. Byerly, *Look And Feel Protection Of Web Site User Interfaces: Copyright Or Trade Dress?*, 14 Santa Clara Computer & High Tech. L.J. 221, 259 (1998).

Today, the competition theory is the primary theory explaining the functionality requirement. This theory has been adopted by the Restatement (Third) of Unfair Competition. <sup>51</sup> If a feature is considered functional, trade dress provides no protection. Similar to distinctiveness, the Supreme Court has held that color is not functional and does not provide a competitive advantage because any color can be used to accomplish a certain functionality. *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 165, 115 S. Ct. 1300, 131 L. Ed. 2d 248 (1995).

<sup>51</sup> See *Restatement (Third) of Unfair Competition* § 17 (1995) ("A design is 'functional'... if the design affords benefits in the

manufacturing, marketing, or use of the goods or services with which the design is used, apart from any benefits attributed to the design's significance as an indication of source, that are important to effective competition by [\*58] others and that are not practically available through the use of alternative designs."). Judge Posner endorsed the competition theory, and rejected the competing identification theory, thusly: "[It is an error] to... define nonfunctional as serving primarily to identify the manufacturer. Understood literally, this would mean that if a particular design feature had two equally important purposes, one to please consumers and the other to identify the manufacturer, it would be functional. But a trademark, especially when it is part of the product, rather than being just the brand name, is bound to be selected in part to be pleasing; so this definition of functionality could rule out trademark protection for design features ... [T]he fact that a design feature is attractive does not, to repeat, preclude its being trademarked. If effective competition is possible without copying that feature, then... it is not a functional feature." *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 341-43 (7th Cir. 1985).

The "look and feel" of a web site can serve several possible functions. First, it can provide "branding, helping to identify a set of products from one company, [and s]econd, it [can] increase[] ease of [\*59] use, since users will become familiar with how one product functions (looks, reads, etc.) and can translate their experience to other products with the same look and feel." <sup>52</sup> If a "look and feel" becomes functional, it can no longer avail itself of trade dress protection. Thus the look and feel must be distinctive, but nonfunctional. But, the mere presence of functional elements does not by necessity preclude trade dress protection. <sup>53</sup> Rather, a web site may be protectable "as trade dress if the site as a whole identifies its owner as the creator or product source." <sup>54</sup> Third, the look and feel of a page might be functional if it "made viewing the site owner's goods more efficient or facilitated the placing of orders on the owner's site." <sup>55</sup> As long as there are alternate ways to design a web site, beyond the arrangement protected by the trade dress, the site's interface should not be considered functional. <sup>56</sup>

<sup>52</sup> Look and feel, Wikipedia, available at

[http://en.wikipedia.org/wiki/Look\\_and\\_feel](http://en.wikipedia.org/wiki/Look_and_feel).  
 53 See *Tradesite Or Web Dress?: Trade Dress Protection For Website Interfaces* by Kurt M. Saunders, available at [www.alsb.org/Proceedings%20Files/2001/Saunders.pdf](http://www.alsb.org/Proceedings%20Files/2001/Saunders.pdf) and <http://74.125.93.132/search?q=cache:XwqQfxKyISgJ;www.alsb.org/Proceedings%2520Files/2001/Saunders.pdf+TRADESITE+OR+WEB+DRESS%3F:+TRADE+DRESS+PROTECTION+FOR+WEBSITE+INTERFACES+by+Kurt+M.+Saunders&hl=en&gl=us>.

54 *Id.*

55 Internet § 13:10 Look and Feel of Web Sites.

56 Lisa M. Byerly, *Look And Feel Protection Of Web Site User Interfaces: Copyright Or Trade Dress?*, 14 Santa Clara Computer & High Tech. L.J. 221, 260 (1998) ("It is clear that the main concern in granting trademark or trade dress protection is that the protection should not hinder competition. Thus, so long as there are ample options for creating the arrangement of a Web site beyond the particular arrangement choice used by one owner, the site's interface should not be considered functional. Also, as the Internet grows, it is likely that numerous alternatives will be available for creating or building a Web site. Finally, it is unlikely that the arrangement or combination of a Web site user interface would be considered a superior design. While a particular Web site arrangement may be creative or clever, such that it attracts consumers, this quality will not be enough to make the site a so superior in design that competition would severely suffer without public use of the design.").

### 3. Likelihood of Confusion

In order to determine [\*61] whether a likelihood of confusion exists between two products, courts generally consider the eight factors enumerated in *Polaroid Corporation v. Polarad Electronics*: (1) the strength of the mark (trade dress); (2) the similarity between the two marks (trade dress); (3) proximity of products in the marketplace; (4) quality and price of Defendant's product; (5) bridging the gap; (6) actual confusion; (7) Defendant's good faith and intent; and (8) sophistication of the buyers, *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir, 1961). The Court aims to detect likelihood of confusion, as "it is the subliminal confusion apparent

in the record as to the relationship, past and present, between the corporate entities and the products that can transcend the competence of even the most sophisticated consumer." *Grotirian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway and Sons*, 523 F.2d 1331, 1341. (2nd Cir, 1975). In the context of web sites, the Court can consider the "proximity of the products considered." [\*57] If the two products are similar in nature and compete with each other, a customer is more likely to be confused if he sees a similar Web Site interface. As with any [\*62] multi-factor balancing test, the court must weigh all of the circumstances in light of the particular facts in this case to assess whether a likelihood of confusion exists.

57 Lisa M, Byerly, *Look and Feel Protection Of Web Site User Interfaces: Copyright Or Trade Dress?*, 14 Santa Clara Computer & High Tech. L.J. 221, 262 (1998).

### C. Considering the Plaintiff's Trade Dress

The Plaintiff alleges that the "look and feel" of the Conference Companion web site constitutes a look and feel deserving protection under the Lanham act. The Court finds that the Plaintiff states a claim on which relief can be granted for this count. Accordingly, Defendant's motion for summary judgment on this ground will be denied.

#### 1. The "Look and Feel" of Plaintiff's Web site

When comparing the look and feel of the Plaintiff and Defendant's products, it is not particularly helpful to focus on the underlying code in a vacuum. The report of Bruce F. Webster, the Defendant's expert witness, focuses almost entirely on comparing the code and file structure of the two products. Expert Declaration of Bruce F. Webster (Document No. 92-4). While this inquiry would be relevant if the case involved stealing proprietary code, this [\*63] case centers around the look and feel of a web site. Therefore it is more important to focus on how the code generates the appearance of the program. To that end, much of Mr. Webster's analysis is not relevant.

Mr. Webster conceded that the products were visually similar, and stated that "aside from a *small set of style choices*, there are almost no similarities between Plaintiff's approach ... and Defendant's approach." Expert Declaration of Bruce F. Webster P 14 (Document 92-4) (emphasis added). The Defendant also remarked "Any



similarities between the products fall in either public domain technologies (.html, jpeg, .pdf, windows media player, etc.) or in *aesthetics*. The *aesthetic similarities* are the result of an *intentional effort* with what we believed was our partner company." Document 82-3 p. 69 (emphasis added). The Defendant repeatedly admits that Defendant copied the "look and feel" of Plaintiff's product in order to "maintain a consistent appearance" with the Plaintiff's product.<sup>58</sup>

58 Exhibit D. "Maintain a consistent appearance functionality with prior joint CD-ROM product offerings. The consistent appearance in the final product was an effort to maintain our relationship with [\*64] CAI, and to avoid confusion on the part of our clients. The HTML GUI [Graphical User Interface] generated by this new tool was required to use similar colors and the Microsoft Veranda font as prior products had done. A sample was provided to F&G Technologies by SI of a pre-existing CAI product... The content copied represented ONLY THE LOOK AND FEEL (i.e., black background, Veranda font, ext [sic])."

In Exhibit J (Document No. 82-4), Plaintiff provides a comprehensive comparison between the Sound Images Product, the file titled "si\_doc," and the Conference Archives Product, the file titled "cai\_doc." The comparison breaks down the similarities in five different colored areas in the relevant files: the blue shaded area, the gray shaded area, the orange shaded area, the dark green shaded area, and the yellow shaded area. This extensive record, which spells out in great detail how the products are similar, is very instructive to the Court's analysis.

In the blue shaded area in both documents, the cellpadding (spacing between table cells) of the tables is precisely six pixels, and the height of the first <td> (table column) tag is precisely 318 pixels. Additionally, the font and background [\*65] colors of this section are identical. Further, the information is placed in the same location, and the <td> and <font> (font element) tags are identical. In the gray shaded area, the table elements in both documents have the same height, 490 pixels. Further, the table tag in both documents has a border color of # 000000 (black). In the orange shaded area, the <table> tag in both documents is nearly identical, with the exception of the width of a <td> (table column) tag. The

first row in the table in both documents has a background color of # 003366 (navy blue). The second row in the table in both documents contains an empty cell with a background color of # FFFFCC (yellow), and has the same height, 5 pixels. The dark green shaded areas in both documents are "identical" and both use a Cascading Style Sheet (CSS) design element named "sessNav." Plaintiff notes the improbability that the Defendant's product has the element with the exact same name, including the curious capitalization. The yellow shaded areas in both documents are "absolutely identical," as they both contain a thin, yellow line, with a height of exactly 5 pixels, and a color of # FFFFCC (yellow). All of these shaded areas [\*66] are essential to the navigation of the page, and contribute to the power of the layout to stimulate cognitive absorption and intuitive responses.

## 2. Willful Copying

What makes this case so unique is the Defendant openly admits it copied the look and feel of the Plaintiff's web site. The Defendant did so in order to confuse the Defendant's customers into thinking the Defendant's web site was similar to the Plaintiff's web site. In other words, Defendant apparently sought to copy the intuitive design of Conference Companion's software, and thus appropriate the "cognitive absorption" properties of the Plaintiff's trade dress. During a deposition, Patricia McLaughlin, an employee of Sound Images, Inc., admitted the goal was to copy the look and feel of the product;

Q; Now, do I interpret that accurately, that what was attempted was that the new product created by the Sound Images Tool would look like the product that Conference Archives had previously put out?

A: Yes.

Q: So the goal was that when a user, for example, a conference attendee, let's say a doctor, would open the product created using the Sound Images tool, that it would look similar to a product that he had been familiar with that [\*67] had been produced by Conference Archives, is that right?

A: Similar, yes.

Q: Well, in fact the goal was that they appear, to the user, virtually identical, correct?

A: No

Q: Same layout, correct?

A: Blue borders.

Q: Same color scheme, correct?

A: Yes,

Q: Same font, correct?

A: [after interchange], So that may be - that may well be correct. Deposition of Patricia McLaughlin, Appendix B, pp. 44-46 (Document No. 82-3).

The Defendant made numerous statements attesting to intentionally copying the "look and feel":

Sound Images intended to make its HTML/Javascript based CD-ROM's look to the user like the Conference Archives CD-ROM .... The Sound Images tool produced CD-ROM's that had a similar color scheme, similar background, similar layout, and similar font to the Conference Archive's product... A small portion of the HTML used in Sound Images' CD-ROM's created by CDCT was copied from Conference Companion CD-ROM's ... Anyone reviewing the Conference Companion CD-ROM's (the disks copied by Sound Images) could review and copy the HTML and Javascript contained therein. Def.'s S. of Undisputed Facts in Supp. of Def.'s Mot. for Summ. J. P 1, 2, 4, 11 (Document No. 88).

"It is important to note that Sound Images' [\*68] programmer copied just a tiny portion of the HTML/Javascript contained in the Conference Companion CD. The portions copied represented standard HTML and Javascript text relating to the color and format of the CD's appearance." Brief In Support Of

Defendant's Motion For Summary Judgment p. 9 (Document No. 89).

In the Defendant's own statement of facts it remarked that "The Sound Images tool produced CD-ROM's [*sic*] that had a similar color scheme, similar background, similar layout, and similar font to the Conference Archives' product. See Exhibit 1, at p. 18:22-25, 19:1." Defendant Sound Images, Inc.'s Responsive Concise Statement of Facts p. 4. In the words of Todd Wonders, who designed the Plaintiff's product, "The look and feel of SII's products is strikingly similar to the Conference Companion program I created for CAL" Affidavit of Todd Wonders P 20, Document No. 82-3, And the Court is inclined to agree.

What is important to stress, beyond the admission of willful copying, is the reason underlying the choice to copy. Defendant did not simply copy the material because it liked the colors, or thought they were attractive. Defendant copied the material for the express purpose of emulating [\*69] the Plaintiff's product. Users who were familiar with Plaintiff's product would become immediately familiar with Defendant's product. Rather than memorizing the mark, the consumer would have "a feeling about it from past exposure. That feeling may be vague, even subliminal, but it comes to consciousness when" they navigate the web site. See *Philip Morris Inc. v. Star Tobacco Corp.*, 879 F. Supp. 379, 385 (S.D.N.Y. 1995) (quoting *Londontown Mfg. v. Cable Raincoat Co.*, 371 F. Supp. 1114, 1118 (S.D.N.Y. 1974)). What Defendant sought to expropriate was the intuitive properties ensconced in the Plaintiff's design.

Like the packaging of a product, the look and feel of a web site invites the user in. It offers a familiar interface, with recognizable elements. Similar colors, sizes, and layouts make navigation and interaction facile. The Defendant sought to capitalize on the design work the Plaintiff performed, and copied it for this express purpose. Such willful copying stands in tension with the case law supporting trade dress protection. Plaintiff remarked that it "perceive[s] tremendous value from repeat users' comfort level with the layout of conference companion. CAI sees this layout, [\*70] and the look and feel thereof, as constituting its 'identity' to conference attendees." Plaintiff's Brief in Support of its Motion for Partial Summary Judgment (Document No. 83) p. 2-3. This "identity" is precisely what the Lanham Act seeks to

protect.

The Court finds the Plaintiff states a claim on which relief may be granted with respect to the "look and feel" of the Conference Companion web site. The Court denies Defendant's motion for summary judgment on this ground. The case shall proceed in accordance with this Opinion to determine whether the Defendant infringed this "look and feel."

AND NOW, this 31st day of **March, 2010**, in accordance with the foregoing Memorandum Opinion, IT IS HEREBY ORDERED THAT the Plaintiff's Motion for

Summary Judgment (Document No. 82) is **DENIED** and the Defendant's Motion for Summary Judgment (Document No. 86) is **GRANTED** in part and **DENIED** in part.

**BY THE COURT:**

/s/ Kim R. Gibson

**KIM R. GIBSON,**

**UNITED STATES DISTRICT JUDGE**



Analysis  
As of: Nov 04, 2010

**HERMAN DOUGLAS, SR., Plaintiff, v. KIMBERLY-CLARK CORPORATION,  
Defendant.**

**CIVIL ACTION NO. 92-3394**

**UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF  
PENNSYLVANIA**

**1993 U.S. Dist. LEXIS 243; Copy. L. Rep. (CCH) P27,055**

**January 8, 1993, Decided  
January 11, 1993, Filed**

**DISPOSITION:** [\*1] It is hereby ORDERED that the motion is DENIED. Plaintiff's complaint is DISMISSED WITH PREJUDICE. The file shall be marked CLOSED.

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** Plaintiff filed suit against defendant, claiming that defendant infringed plaintiff's copyright by using a certain design on its packaging for a diaper-type product. Plaintiff filed a motion to amend his complaint for a second time to attach a new exhibit, which he alleged would cure the defect of his first amended complaint by including a depiction of his claimed copyrighted illustration.

**OVERVIEW:** Plaintiff claimed that defendant used his copyrighted design, which allegedly depicted hands on the product about to remove it from a child's body, and that his design originally appeared on a certain brand's reusable training pant product packaging. Plaintiff asserted that he created and copyrighted the design. In his first amended complaint, plaintiff attached an exhibit purporting to be his copyrighted illustration. The exhibit, however, was an altered version of defendant's allegedly infringing illustration. The court dismissed the complaint. The new exhibit attached to plaintiff's second amended complaint did not depict the copyrighted design, that is, a product with hands about to remove the product from a child's person. Rather, the exhibit depicted hands holding the product; there was no "child's person" at all. The court held that the discrepancy be-

tween the exhibit and the description made it impossible for plaintiff to prove infringement because the two drawings were sufficiently different that no reasonable juror could find them to be substantially similar. As such, amendment would be futile because the complaint, as so amended, would not survive a motion to dismiss.

**OUTCOME:** The court denied plaintiff's motion and dismissed the complaint with prejudice.

**CORE TERMS:** drawing, copyrighted, similarity, infringing, derivative, infringed, amend, infringement, copying, copied, illustration, depict, failure to state a claim, substantially similar, fact-finder, intrinsic, survive, leave to amend, packaging, purported, marked, pant

**LexisNexis(R) Headnotes**

*Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Motions to Dismiss  
Civil Procedure > Pleading & Practice > Pleadings > Amended Pleadings > Leave of Court*

[HN1]Leave to amend is to be freely given when justice so requires. However, a court may appropriately consider the futility of amendment. An amendment of the complaint is futile if the amended complaint would not survive a motion to dismiss.

*Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Failures to State Claims  
Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Motions to Dismiss*

[HN2]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. All well-pleaded factual allegations in the complaint must be taken as true. The court must draw all reasonable inferences from the allegations and view them in the light most favorable to the non-moving party.

*Copyright Law > Subject Matter > Ideas > General Overview*

*Copyright Law > Subject Matter > Statutory Copyright & Fixation > General Overview*

*Copyright Law > Subject Matter > Statutory Copyright & Fixation > Ideas & Expression of Ideas*

[HN3]See 17 U.S.C.S. § 102(b).

*Copyright Law > Civil Infringement Actions > Elements > Ownership*

*Copyright Law > Civil Infringement Actions > Elements > Substantial Similarity > Extrinsic Test*

*Copyright Law > Civil Infringement Actions > Elements > Substantial Similarity > Intrinsic Test*

[HN4]To prove that a copyright has been infringed, a plaintiff must show two things: that he owned the copyright, and that the defendant copied the drawing when making its drawing. Although it is rarely possible to prove copying through direct evidence, copying may be proved inferentially by showing that the defendant had access to the allegedly infringed copyrighted work and that the allegedly infringing work is substantially similar to the copyrighted work. There is a two part test for determining "substantial similarity." The first is known as the "extrinsic" test of substantial similarity. A fact-finder must decide whether there is sufficient similarity between the two works in question to conclude that the alleged infringer used the copyrighted work in making his own. If the answer to the first question is in the affirmative, the fact-finder must decide without the aid of expert testimony, but with the perspective of the "lay" observer, whether the copying was "illicit," or "an unlawful appropriation" of the copyrighted work. This is known as the "intrinsic" test of substantial similarity.

*Copyright Law > Civil Infringement Actions > Elements > General Overview*

*Copyright Law > Collective & Derivative Works > Derivative Works*

*Copyright Law > Collective & Derivative Works > Infringement*

[HN5]The owner of a copyright has exclusive rights to prepare derivative works based upon the copyrighted work. 17 U.S.C.S. § 106(2). A derivative work for copyright purposes is one which is substantially copied from prior work. The test for determining whether something is a derivative work is the same test as whether it is an infringing work.

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KIMBERLY-CLARK CORPORATION, DEFENDANT: JUDY L. LEONE, DECHERT, PRICE & RHOADS, 1717 ARCH STREET, 4000 BELL ATLANTIC TOWER, PHILA, PA 19103-2793, USA.

**JUDGES:** BUCKWALTER

**OPINION BY:** BY THE COURT; RONALD L. BUCKWALTER

**OPINION**

**MEMORANDUM**

BUCKWALTER, J.

January 8, 1993

*I. Introduction*

Presently before the court is plaintiff Herman Douglas Sr.'s motion to amend the complaint for a second time. Plaintiff's first amended complaint was dismissed by order of this court dated December 10, 1992 for failure to state a claim because of an error in the exhibits plaintiff attached to the complaint. Plaintiff has attached a new exhibit which he asserts will correct the problem. However, the second amended complaint, with the new exhibit, cannot survive a motion to dismiss and thus plaintiff's motion for leave to amend the complaint is denied.

*II. Facts*

This case arose from allegations that defendant Kimberly-Clark infringed plaintiff's copyright by using a design on its "Huggies Pull-Up Pants" packaging which originally appeared on plaintiff's "Dougies reusable training pant" product packaging. Both plaintiff's and defendant's design allegedly depict hands on the product about to remove it from a child's body, a design [\*2] which Douglas claims he created and copyrighted.

In his first amended complaint, to illustrate the alleged infringement, Douglas included two exhibits. The first, Exhibit A, was purported to be the plaintiff's copyrighted illustration. (First Amended Complaint, P 10). Exhibit B was purported to be Kimberly-Clark's infringing illustration. (*Id.*) However, the Exhibit A which was included with the first amended complaint was apparently mistakenly included, since it was nothing more than a rotated, blown-up, slightly altered version of a portion of Exhibit B. Plaintiff offered a substitute Exhibit A after defendant's counsel called attention to the problem with the exhibits. The first amended complaint also included a description of plaintiff's allegedly copyrighted work as a drawing of "the product with hands about to remove the product from a child's person." First Amended Complaint, P 10. Upon dismissal of plaintiff's first amended complaint, plaintiff was admonished that if he were to be granted leave to amend his complaint yet again, he would have to provide an explanation of why the original Exhibit A existed in the first place, and more importantly, why the "correct" exhibit [\*3] did not match the description in his first amended complaint.

In his second amended complaint, plaintiff has included a new exhibit, Exhibit A1, which he contends will cure the defect of the first amended complaint. The description of the allegedly copyrighted illustration, however, remained the same: "the product with hands about to remove the product from a child's person."

### III. Discussion

The newly included Exhibit A1 does not depict "the product with hands about to remove the product from a child's person." It depicts hands holding the product, but there is no "child's person" at all. Defendant's allegedly infringing drawing does fit the description.

This flaw raises more problems.[HN1] Leave to amend "is to be freely given when justice so requires." Foman v. Davis, 371 U.S. 178, 182, 9 L. Ed. 2d 222, 83 S. Ct. 227 (1962). However, the court may appropriately consider the futility of amendment. *Id.* An amendment of the complaint is futile if the amended complaint would not survive a motion to dismiss. Jablonski v. Pan American World Airways Inc., 863 F.2d 289, 292 (3d Cir. 1988). Thus, plaintiff's amended complaint will be held against the standards [\*4] for a motion to dismiss.

[HN2]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. Conley v. Gibson, 355 U.S. 41, 45-46, 2 L. Ed. 2d 80, 78 S. Ct. 99 (1957); Rocks v. Philadelphia, 868 F.2d 644, 645 (3d Cir. 1989). All well-pleaded factual allegations in the complaint must be taken as true. Cruz v. Beto, 405 U.S.

319, 322, 31 L. Ed. 2d 263, 92 S. Ct. 1079 (1972); Rocks, 868 F.2d at 645. The court must draw all reasonable inferences from the allegations and view them in the light most favorable to the non-moving party. Rocks, 868 F.2d at 645.

The discrepancy between the exhibit and the description makes it impossible for plaintiff to prove copyright infringement. 17 U.S.C. § 102(b) states that:

[HN3]In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, *concept*, principle, or discovery, regardless of the form in which it is described, [\*5] explained, illustrated, or embodied in such work.

(emphasis added). It is clear that plaintiff cannot have copyright protection for the concept of a drawing of "the product with hands about to remove the product from a child's person." Any claim of copyright infringement must come from a similarity between the drawings themselves.

[HN4]To prove that a copyright has been infringed, the plaintiff must show two things: that he owned the copyright, and that defendant copied the drawing when making its drawing. Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc., 797 F.2d 1222, 1231 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031, 93 L. Ed. 2d 831, 107 S. Ct. 877 (1987). Although it is rarely possible to prove copying through direct evidence, copying may be proved inferentially by showing that the defendant had access to the allegedly infringed copyrighted work and that the allegedly infringing work is substantially similar to the copyrighted work. *Id.* at 1231-32. There is a two part test for determining "substantial similarity." <sup>1</sup> The first is known as the "extrinsic" test of substantial similarity. The fact-finder must decide [\*6] whether there is sufficient similarity between the two works in question to conclude that the alleged infringer used the copyrighted work in making his own. *Id.* at 1232. If the answer to the first question is in the affirmative, the fact-finder must decide without the aid of expert testimony, but with the perspective of the "lay" observer, whether the copying was "illicit," or "an unlawful appropriation" of the copyrighted work. This is known as the "intrinsic" test of substantial similarity. *Id.*

1 Due to the disposition of the case on the substantial similarity issue, it is unnecessary to decide whether plaintiff owned a valid copyright or whether defendant had access to plaintiff drawing.

Using these standards, it is clear that plaintiff cannot pass the intrinsic test of substantial similarity. I find that as a matter of law the two drawings are sufficiently different that no reasonable juror could find the two drawings to be substantially similar. Plaintiff's drawing simply [\*7] shows hands holding the "Dougies" product; defendant's drawing shows hands tearing away the "Huggies" product from the child's person from the side. A comparison of the drawings, combined with the erroneous description in the complaint of plaintiff's drawing, lead one to the conclusion that plaintiff simply does not have a valid claim.

In a memorandum supporting his motion to amend the complaint, plaintiff has included another original drawing which he claims is a derivative work of the allegedly infringed drawing. This drawing does show hands about to remove the product from a child's person. However, this drawing is not alleged to be the infringed drawing. Apparently, plaintiff is arguing that the allegedly infringing drawing, like the drawing offered in the memorandum, is a derivative work of the allegedly infringed drawing.

[HN5]The owner of a copyright has exclusive rights to prepare derivative works based upon the copyrighted work. 17 U.S.C. § 106(2). A derivative work for copyright purposes is one which is substantially copied from prior work. Apple Computer, Inc. v. Microsoft Corp., 759 F. Supp. 1444 (N.D. Cal 1991) [\*8] (citations omitted). The Third Circuit has not defined "substantially copied," but other courts have stated that the test for determining

whether something is a derivative work is the same test as whether it is an infringing work. *Id.*, See also United States v. Taxe, 540 F.2d 961, 965 n. 2 (9th Cir. 1976), *cert. denied*, 429 U.S. 1040, 50 L. Ed. 2d 751, 97 S. Ct. 737, *reh. denied*, 429 U.S. 1124 (1977). Thus, the defendant's allegedly infringing drawing is not a derivative work. The similarity between the allegedly infringing drawing and the drawing offered by plaintiff in his memorandum is legally irrelevant.

### *III. Conclusion*

Plaintiff has had repeated opportunities to identify an exhibit which would justify the continued prosecution of this case, and has failed to come up with one. For the foregoing reasons, the plaintiff's motion to amend the complaint is denied and the complaint is dismissed with prejudice. The file may be marked as closed.

An order follows.

### **ORDER**

AND NOW, this 8th day of January, 1993, upon consideration of Plaintiff's motion to amend the complaint, it is hereby ORDERED that the motion [\*9] is DENIED. Plaintiff's complaint is DISMISSED WITH PREJUDICE. The file shall be marked CLOSED.

BY THE COURT:

RONALD L. BUCKWALTER, J.



Analysis  
As of: Nov 04, 2010

**FEDEX GROUND PACKAGE SYSTEMS, INC., Plaintiff/Counter-Defendant, v.  
APPLICATIONS INTERNATIONAL CORPORATION, Defendant/Counter-  
Plaintiff, v. COMPUTER AID, INC., Additional Counter-Defendant.**

**Civil Action No. 03-1512**

**UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF  
PENNSYLVANIA**

**2005 U.S. Dist. LEXIS 26651**

**November 4, 2005, Decided  
November 4, 2005, Filed**

**SUBSEQUENT HISTORY:** Partial summary judgment denied by, Partial summary judgment granted by, in part, Partial summary judgment denied by, in part FedEx Ground Package Sys. v. Applications Int'l Corp., 2008 U.S. Dist. LEXIS 107896 (W.D. Pa., Sept. 12, 2008)

**DISPOSITION:** [\*1] FedEx's Motion for Judgment on Pleadings and CAI's Motion to Dismiss denied.

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** Plaintiff shipper sued defendant software company, asserting various claims arising out of the parties' contract and for a declaratory judgment that it owned certain software. Defendant answered and filed counterclaims against plaintiff and third-party defendant service provider, alleging multiple claims. Plaintiff moved for judgment on the pleadings and third-party defendant moved to dismiss the copyright counterclaims.

**OVERVIEW:** Plaintiff and the third-party defendant asserted the same argument, namely that the specified causes of action pled by defendant in the third amended counterclaim were preempted by operation of 17 U.S.C.S. § 301. Defendant argued that the state law claims avoided preemption because they did not seek to duplicate the subject matter of the cause of action for copyright infringement, but rather addressed the alleged misappropriation of other elements of the computer pro-

gram which were excluded from copyright protection. The court examined the subject matter of the disputed claims to determine if the Copyright Act preempted any of them. Defendant asserted that the disputed claims sought vindication of their non-copyright intellectual property rights in, inter alia, the menus, written materials, procedures, and ideas associated with the computer program at issue. The court lacked sufficient basis upon which to decide the preemption question. Thus, the court could not find that no facts existed that would have allowed the non-moving party to recover.

**OUTCOME:** The court denied plaintiff's motion for judgment on the pleadings and third-party defendant's motion to dismiss.

**CORE TERMS:** Copyright Act, subject matter, counterclaim, computer program, intellectual property, preempted, causes of action, state law claims, copyright infringement, factual record, misappropriation, copyrightable, preemption, functional, responded, breach of contract, declaratory judgment, enrichment, conversion, software, unjust

**LexisNexis(R) Headnotes**

*Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Failures to State Claims*



[HN1] Fed. R. Civ. P. 12(b)(6) motions challenge the legal sufficiency of the complaint. A plaintiff is required to set forth sufficient information to outline the elements of his claim or to permit inferences to be drawn that these elements exist. A motion to dismiss pursuant to Rule 12(b)(6) may be granted only if, accepting all well pleaded allegations in the complaint as true, and viewing them in the light most favorable to plaintiff, plaintiff is not entitled to relief. While a court will accept well-pleaded allegations as true for the purposes of the motion, it will not accept legal or unsupported conclusions, unwarranted inferences, or sweeping legal conclusions cast in the form of factual allegations.

*Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Failures to State Claims  
Civil Procedure > Pretrial Judgments > Judgment on the Pleadings*

[HN2] A motion for judgment on the pleadings pursuant to Fed. R. Civ. P. 12(c) is analyzed using the same standard as a motion to dismiss for failure to state a claim under Rule 12(b)(6).

*Copyright Law > Civil Infringement Actions > Jurisdiction & Venue > Federal Court Jurisdiction  
Copyright Law > Constitutional Protections > Application of Federalism > Federal Preemption*  
[HN3] See 17 U.S.C.S. § 301(a).

*Copyright Law > Civil Infringement Actions > Jurisdiction & Venue > Federal Court Jurisdiction  
Copyright Law > Constitutional Protections > Application of Federalism > Federal Preemption*

[HN4] In determining whether a state law cause of action is preempted by the Copyright Act, a functional test is utilized. This functional test requires two related inquiries: (1) does the subject matter of the claim fall within the subject matter of copyright law, and (2) are the rights to be vindicated by the common law claim equivalent to any rights granted under the Copyright Act?

*Copyright Law > Civil Infringement Actions > Jurisdiction & Venue > Federal Court Jurisdiction  
Copyright Law > Constitutional Protections > Application of Federalism > Federal Preemption*

[HN5] The United States Court of Appeals for the Third Circuit has determined that the literal elements of computer programs, i.e., the source and object codes, are subject to federal copyright protection. Moreover, many courts of appeals have agreed that the scope of the Copyright Act's subject matter is broader than the scope of the

Act's protections. A mere showing that copyright protection is unavailable for certain elements of the computer program will not necessarily decide the issue of whether those elements are within the "subject matter" of the Copyright Act.

**COUNSEL:** For FEDEX GROUND PACKAGE SYSTEM, INC., Plaintiff: Stacey R. Heitzenrater, Fedex Ground Package System Inc., Moon Township, PA; Timothy C. Wolfson, Alan B. Rosenthal, C. Shawn Dryer, Babst, Calland, Clements & Zomnir, Pittsburgh, PA.

For APPLICATIONS INTERNATIONAL CORPORATION, Defendant: Ronald L. Hicks, Meyer, Unkovic & Scott LLP, Pittsburgh, PA.

For COMPUTER AID, INC, ThirdParty Defendant: Timothy C. Wolfson, Alan B. Rosenthal, C. Shawn Dryer, Christopher S. Channel, Babst, Calland, Clements & Zomnir, Pittsburgh, PA.

**JUDGES:** Thomas M. Hardiman, United States District Judge.

**OPINION BY:** Thomas M. Hardiman

**OPINION**

**MEMORANDUM OPINION**

This matter comes before the Court on FedEx Ground Package System, Inc.'s (FedEx) motion for judgment on the pleadings and Computer Aid, Inc.'s (CAI) motion to dismiss. Both FedEx and CAI seek dismissal of various claims asserted in the counterclaim of Applications International Corporation (AIC), arguing that the claims are preempted by § 301 of the Copyright Act, 17 U.S.C. § 301. For the reasons that follow, both motions will be denied.

**[\*2] I. Facts**

Plaintiff FedEx originally filed this action against AIC asserting claims for breach of contract, unjust enrichment, conversion, and a declaratory judgment that it owns certain software source code. FedEx alleges that AIC failed to perform on a contract to develop and maintain a computer software program that would have automated reporting functions of FedEx's human resources department. As a result, FedEx claims that it was required to utilize the services of another company, Third-Party Defendant CAI, to complete performance of the contract with AIC.

AIC responded by answering the complaint and filing a counterclaim. The fourth and most recent version

of this counterclaim (the third amended counterclaim) includes claims by AIC against FedEx and CAI as a third-party defendant in which AIC alleges: copyright infringement (Count I); misappropriation of trade secrets (Count II); conversion (Count IV); unjust enrichment (Count V); and seeks a declaratory judgment regarding ownership of intellectual property (Count VI). Additionally, AIC asserts a counterclaim for breach of contract against FedEx alone (Count III).

FedEx answered the third amended counterclaim, and CAI [\*3] responded by filing a motion to dismiss Counts II, IV, V, and VI pursuant to Fed. R. Civ. P. 12(b)(6). FedEx then filed a motion for judgment on the pleadings pursuant to Fed. R. Civ. P. 12(c), seeking dismissal of Counts III, IV, V, and VI. FedEx and CAI assert nearly identical arguments in support of their respective motions, namely that the specified causes of action pled by AIC in the third amended counterclaim are preempted by operation of § 301 of the Copyright Act, 17 U.S.C. § 301. AIC argues that the state law claims avoid preemption because they do not seek to duplicate the subject matter of the cause of action for copyright infringement, but rather address the alleged misappropriation of other elements of the computer program which are excluded from copyright protection.

## II. Legal Standards

[HN1]Rule 12(b)(6) motions challenge the legal sufficiency of the complaint. *See Kost v. Kozakiewicz*, 1 F.3d 176, 183 (3d Cir. 1993). Plaintiff is required to "set forth sufficient information to outline the elements of his claim or to permit inferences to be [\*4] drawn that these elements exist." *Id.* "A motion to dismiss pursuant to Rule 12(b)(6) may be granted only if, accepting all well pleaded allegations in the complaint as true, and viewing them in the light most favorable to plaintiff, plaintiff is not entitled to relief." *In re Rockefeller Ctr. Props. Secs. Litig.*, 311 F.3d 198 (3d Cir. 2002). While a court will accept well-pleaded allegations as true for the purposes of the motion, it will not accept legal or unsupported conclusions, unwarranted inferences, or sweeping legal conclusions cast in the form of factual allegations. *See In re Burlington Coat Factory Sec. Lit.*, 114 F.3d 1410, 1429 (3d Cir. 1997); *Miree v. DeKalb County, Ga.*, 433 U.S. 25, 27 n. 2, 97 S. Ct. 2490, 53 L. Ed. 2d 557 (1977).

[HN2]A motion for judgment on the pleadings pursuant to Rule 12(c) is analyzed using the same standard as a motion to dismiss for failure to state a claim under Rule 12(b)(6). *Turbe v. Gov't of the Virgin Islands*, 938 F.2d 427, 428 (3d Cir. 1991); *Regalbuto v. City of Philadelphia*, 937 F. Supp. 374, 376-77 (E.D. Pa. 1995).

## III. Discussion

Section 301(a) of the Copyright Act provides: [\*5]

[HN3]All legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103 . . . are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301(a). [HN4]In determining whether a state law cause of action is preempted by the Copyright Act, a "functional test" is utilized. *See Dun & Bradstreet Software Services, Inc. v. Grace Consulting, Inc.*, 307 F.3d 197, 216 (3d Cir. 2002).

This "functional test" requires two related inquiries: (1) does the subject matter of the claim fall within the subject matter of copyright law, and (2) are the rights to be vindicated by the common law claim equivalent to any rights granted under the Copyright Act? *See Long v. Quality Computers and Applications, Inc.*, 860 F. Supp. 191, 197 (M.D. Pa. 1994)(citing *Del Madera Properties v. Rhodes & Gardner, Inc.*, 820 F.2d 973, 976 (9th Cir. 1987)). [\*6]

Application of the first prong of this standard is difficult in this case because of the unique characteristics of computer programs. AIC argues that its state law claims are not preempted because they seek to protect the elements of the computer program and other intellectual property that are not subject to copyright protection.

[HN5]The United States Court of Appeals for the Third Circuit has determined that the literal elements of computer programs, *i.e.*, the source and object codes, are subject to federal copyright protection. *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1233 (3d Cir. 1986). Moreover, many courts of appeals have agreed that "the scope of the Copyright Act's subject matter is broader than the scope of the Act's protections." *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 455 (6th Cir. 2001); *see also National Basketball Ass'n v. Motorola Inc.*, 105 F.3d 841, 848 (2d Cir. 1997)(subject matter of copyright for purposes of § 301 includes both copyrightable and non-copyrightable elements); *United States ex rel. Pamela Birge v. Board of Trustees of the University of Alabama*, 104 F.3d 1453, 1463 (4th Cir. 1997) [\*7] (scope and protection of Copyright Act not synonymous); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1453 (7th Cir. 1996)(uncopyrightable idea underlying

copyrightable computer program within the subject matter of copyright). *But see Dunlap v. G&L Holding Group, Inc.*, 381 F.3d 1285, 1296 (11th Cir. 2004)(finding "ideas" to be outside subject matter of Copyright Act because substantively excluded from copyright protection). The foregoing cases demonstrate that a mere showing that copyright protection is unavailable for certain elements of the computer program will not necessarily decide the issue of whether those elements are within the "subject matter" of the Copyright Act.

In light of the foregoing, this Court first must examine the subject matter of AIC's claims before determining that the Copyright Act preempts any of them. AIC has asserted that the claims in Counts II-VI of the third amended counterclaim seek vindication of their non-copyright intellectual property rights in, *inter alia*, the menus, written materials, procedures and ideas associated with the computer program at issue. Because the factual record remains undeveloped, the Court lacks [\*8] a sufficient basis upon which to decide the preemption question. Accordingly, the Court cannot conclude at this juncture that no facts exist that would allow the non-moving party to recover. On a more developed factual record, AIC may be able to demonstrate cognizable intellectual property interests in elements of the computer program that are outside the subject matter of the Copyright Act. However, to the extent that these intellectual property interests fall within the subject matter of the Copyright Act, the claims will be preempted to the extent

that they seek redress for "mere copying, preparation of derivative works, performance, distribution or display." *Dun & Bradstreet*, 307 F.3d at 217 (citation omitted).

#### IV. Conclusion

For the foregoing reasons FedEx's Motion for Judgment on the Pleadings and CAI's Motion to Dismiss will be denied.

An appropriate Order follows.

Dated: November 4, 2005

Thomas M. Hardiman

United States District Judge

#### ORDER

AND NOW, upon consideration of FedEx Ground Package Systems, Inc.'s Motion for Judgment on the Pleadings as to Counts III-VI of Application International Corporation, Inc.'s Third Amended [\*9] Counterclaim and Computer Aid, Inc.'s Motion to Dismiss Counts II, IV, V, and VI of Application International Corporation, Inc.'s Third Amended Counterclaim, it is HEREBY ORDERED that BOTH motions are DENIED.

Dated: November 4, 2005

Thomas M. Hardiman

United States District Judge

LEXSEE

**TIMOTHY A. HALE, Plaintiff v. PENNSYLVANIA DEPARTMENT OF CORRECTIONS, et al., Defendants**

**CIVIL NO. 3:07-CV-0345**

**UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

**2010 U.S. Dist. LEXIS 97101**

**September 16, 2010, Decided  
September 16, 2010, Filed**

**CORE TERMS:** mail, inmate, opening, opened, prisoner's, isolated, inadvertent, injunction, inspectors, marked, right to relief, entitled to relief, constitutional claim, constitutional violation, free speech, actual injury, actionable, presently, infringe, entirety, notice

**COUNSEL:** [\*1] Timothy A. Hale, Plaintiff, Pro se, Bellefonte, PA.

For Pennsylvania Department of Corrections, Jeffrey Beard, Randall N. Sears, Esq., Sharon M. Burks, Franklin J. Tennis, Grievance Coord. Jeffrey Rackovan, Francis M. Dougherty, Mr. Boone, SCI Rockview Mailroom Staff, Defendants: Maryanne M. Lewis, Pennsylvania Office of Attorney General, Harrisburg, PA.

**JUDGES:** JAMES M. MUNLEY, United States District Judge.

**OPINION BY:** JAMES M. MUNLEY

**OPINION**

**MEMORANDUM**

Plaintiff Timothy Hale ("plaintiff") an inmate presently confined at the State Correctional institution at Rockview, Bellefonte, Pennsylvania, commenced this civil rights action on February 23, 2007. On June 15, 2007, defendants requested and were granted a stay of the matter pending the resolution of three cases pending before the United States Court of Appeals for the Third Circuit; Fontroy v. Beard, 559 F.3d 173. Robinson v. Pennsylvania Dep't of Corr., 327 Fed. Appx. 321, and Harper v. Beard, 326 Fed. Appx. 630. In March 2009, the Third Circuit decided Fontroy v. Beard, 559 F. 3d 173 (3rd. Cir. 2009), followed by a decision in Robinson

v. Dep't of Corr., 327 Fed. Appx. 321 (3d Cir. 2009); and Harper v. Beard, 326 Fed. Appx. 630 (3d Cir. 2009). On July 10, 2009, plaintiff filed [\*2] a motion to lift the stay, which was granted on August 31, 2009. (Doc. 38.)

Plaintiff is proceeding *via* an amended complaint. (Doc. 29). Presently pending is defendants' motion to dismiss the amended complaint pursuant to federal Rule of Civil Procedure 12(b)(6). (Doc. 40.) For the reasons set forth below, the motion will be granted.

**I. Allegations of the Complaint**

Plaintiff alleges that after an injunction was issued against defendant Jeffrey Beard concerning DC-ADM 803, mail inspectors opened his legal court mail outside his presence on May 10, 2007, and June 25, 2007, even though he had previously informed them that he did not want his mail opened outside his presence. (Doc. 29, at 6, ¶¶ 26, 27.29) "Based upon information and belief, it is asserted that the actions described herein concerning the defendants, all, opening the plaintiff's legal court mail outside his presence is violating the plaintiff's First Amendment rights. . . . The defendants, all, have used DC-ADM policy 803 to 'trap' censor, read, and copy legal court mail." (Id. at 6, ¶ 31; 7, ¶ 33.) He seeks compensatory and punitive damages, a declaratory judgment that defendants have violated his rights, and injunctive relief [\*3] enjoining defendants from opening his legal court mailings outside his presence, (Id. at 8-9.)

**II. Standard of Review**

Rule 12(b)(6) of the Federal Rules of Civil Procedure provides for the dismissal of complaints that fail to state a claim upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). When ruling on a motion to dismiss under Rule 12(b)(6), the court must "accept as true all

[factual] allegations in the complaint and all reasonable inferences that can be drawn therefrom, and view them in the light most favorable to the plaintiff." Kanter v. Barella, 489 F.3d 170, 177 (3d Cir. 2007) (quoting Evancho v. Fisher, 423 F.3d 347, 350 (3d Cir. 2005)). Although the court is generally limited in its review to the facts contained in the complaint, it "may also consider matters of public record, orders, exhibits attached to the complaint and items appearing in the record of the case." Oshiver v. Levin, Fishbein, Sedran & Berman, 38 F.3d 1380, 1384 n. 2 (3d Cir. 1994); see also In re Burlington Coat Factory Sec. Litig., 114 F.3d 1410, 1426 (3d Cir. 1997).

Federal notice and pleading rules require the complaint to provide "the defendant notice of what the . . . claim is and the grounds [\*4] upon which it rests." Phillips v. Cnty. of Allegheny, 515 F.3d 224, 232 (3d Cir. 2008) (quoting Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007)). The plaintiff must present facts that, if true, demonstrate a plausible right to relief. See Fed. R. Civ. P. 8(a) (stating that the complaint should include "a short and plain statement of the claim showing that the pleader is entitled to relief"); Ashcroft v. Iqbal, U.S. , 129 S. Ct. 1937, 1949, 173 L. Ed. 2d 868 (2009) (explaining that Rule 8 requires more than "an unadorned, the-defendant unlawfully-harmed-me accusation"); Twombly, 550 U.S. at 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (requiring plaintiffs to allege facts sufficient to "raise a right to relief above the speculative level"). Thus, courts should not dismiss a complaint for failure to state a claim if it contains "enough factual matter (taken as true) to suggest the required element. This does not impose a probability requirement at the pleading stage, but instead simply calls for enough facts to raise a reasonable expectation that discovery will reveal evidence of the necessary element." Phillips, 515 F.3d at 234 (quoting Twombly, 550 U.S. at 556, 127 S. Ct. 1955, 167 L. Ed. 2d 929). Under this liberal [\*5] pleading standard, courts should generally grant plaintiffs leave to amend their claims before dismissing a complaint that is merely deficient. See Grayson v. Mayview State Hosp., 293 F.3d 103, 108 (3d Cir. 2002); Shane v. Fauver, 213 F.3d 113, 116-17 (3d Cir. 2000).

### III. Discussion

Section 1983 of Title 42 of the United States Code offers private citizens a cause of action for violations of federal law by state officials. See 42 U.S.C. § 1983, The statute provides, in pertinent part, as follows:

Every person who, under color of any statute, ordinance, regulation, custom, or usage, of any State or Territory or the Dis-

trict of Columbia, subjects, or causes to be subjected, any citizen of the United States or other person within the jurisdiction thereof to the deprivation of any rights, privileges, or immunities secured by the Constitution and laws, shall be liable to the party injured in an action at law, suit in equity, or other proper proceeding for redress . . . .

Id.; see also Gonzaga Univ. v. Doe, 536 U.S. 273, 284-85, 122 S. Ct. 2268, 153 L. Ed. 2d 309 (2002); Kneipp v. Tedder, 95 F.3d 1199, 1204 (3d Cir. 1996).

The Supreme Court has recognized that prisoners have protected First Amendment interests in both sending and [\*6] receiving mail. See Thornburgh v. Abbott, 490 U.S. 401, 109 S. Ct. 1874, 104 L. Ed. 2d 459 (1989); Turner v. Safley, 482 U.S. 78, 107 S. Ct. 2254, 96 L. Ed. 2d 64 (1987). However, the rights of prisoners "must be exercised with due regard for the 'inordinately difficult undertaking' that is modern prison administration" Thornburgh, 490 U.S. at 407, 109 S. Ct. 1874, 104 L. Ed. 2d 459 (quoting Turner, 482 U.S. at 85, 107 S. Ct. 2254, 96 L. Ed. 2d 64).

In the matter *sub judice*, plaintiff challenges the constitutionality of the Pennsylvania Department of Corrections' mail policy set forth at DC-ADM 803. This precise issue was settled in the matter of Fontroy v. Beard, 559 F.3d 173 (3d Cir. 2009), in which the United States Court of Appeals for the Third Circuit held that because the policy set forth in DC-ADM 803 was "'reasonably related to legitimate penological interests.'" Turner v. Safley, 482 U.S. 78, 89, 107 S. Ct. 2254, 96 L. Ed. 2d 64 (1987), it passes constitutional muster" Fontroy, 559 F.3d at 174, Plaintiff is not entitled to relief on this ground.

He also seeks relief based upon the following: "On May 10, 2007, after an injunction was issued against defendant Jeffrey Beard concerning DC-ADM 803, Inspector No. Four (4) did open the plaintiff's legal court mail outside of his presence; On June 25, 2007, after an injunction was issued against defendant [\*7] Jeffrey Beard concerning DC-ADM 803, Inspector No. Five (5) did open the plaintiff's legal court mail outside of his presence." (Doe. 29, at 6, ¶¶ 26, 27.) It is undisputed that Pennsylvania state prisoners have a First Amendment right not to have properly marked legal mail opened outside of their presence. See Fontroy, 559 F.3d at 174-75; Jones v. Brown, 461 F.3d 353, 355 (3d Cir. 2006); Bieregu v. Reno, 59 F.3d 1445, 1458 (3d Cir. 1995). A "pattern and practice of opening properly marked incoming legal mail outside of an inmate's presence infringes communications protected by the right to

free speech . . . because it chills protected expression and may inhibit the inmate's ability to speak, protest, and complain openly, directly, and without reservation with the court." Jones, 461 F.3d at 358-59; see also Bieregu, 59 F.3d at 1452. Unlike an inmate's right to court access, in cases where a prisoner's legal mail is opened repeatedly outside of his presence, there is no "actual injury" requirement to assert a claim. Bieregu, 59 F.3d at 1455. Conversely, the court distinguished between a single, inadvertent opening of properly marked legal mail outside an inmate's presence and [\*8] a pattern or practice of such actions. The former may not infringe a prisoner's right to free speech, nor his right to court access absent a showing of actual injury. Bieregu, 59 F.3d at 1458.

In accepting plaintiff's allegations that his legal court mail was opened outside his presence on two occasions as true, such a claim does not demonstrate a pattern or practice of improper handling of his legal mail sufficient to find a First Amendment violation, especially in light of plaintiff's contention that the opening of his mail was in accordance with DC-ADM 803. (Doc. 42, at 2.) Isolated incidents of opening legal mail outside of art inmate's presence, without any evidence of improper motive, is nothing more than an assertion of negligence., and is insufficient to establish a constitutional violation. See Davis v. Goord, 320 F.3d 346, 351 (2d Cir. 2003) (accidental opening of one piece of constitutionally protected legal mail did not give rise to a constitutional claim); Gardner v. Howard, 109 F.3d 427, 430-31 (8th Cir. 1997) (holding that isolated, inadvertent instances of legal mail being opened outside of an inmate's presence are not actionable); Smith v. Maschner, 899 F.2d 940, 944 (10th Cir. 1990) [\*9] (isolated inadvertent incidents of opening inmate's legal mail do not state a constitutional claim); Bryant v. Winston, 750 F. Supp. 733, 734 (E.D. Va.1990) (holding that an isolated incident of mail mishandling, which is not part of any pattern or practice, is not actionable under § 1983); Beese v. Liebe, 51 Fed. Appx. 979, 981 (7th Cir. 2002) (dismissal of First Amendment claim that four pieces of legal mail opened outside of inmate's presence did not rise to the level of a constitutional violation upheld where inmate presented no evidence that his mail was not intentionally opened).

Defendants' motion to dismiss will be granted as to this claim.

#### IV. Conclusion

For the reasons set forth above, defendants' motion to dismiss plaintiff's complaint will be granted and the complaint will be dismissed in its entirety.

**BY THE COURT:**

/s/ James M. Munley

**JUDGE JAMES M. MUNLEY**

**United States District Court**

Dated: September 16th, 2010

#### ORDER

AND NOW, to wit, this 16th day of September 2010, upon consideration of defendants' motion to dismiss plaintiff's complaint pursuant to Federal Rule of Civil Procedure 12(b)(6) [\*10] (Doc, 40), and in accordance with the accompanying memorandum, it is hereby ORDERED that:

1. The Clerk of Court is directed to REOPEN this matter.

2. Defendants' motion to dismiss (Doc. 40) plaintiff's complaint is GRANTED. Plaintiff's complaint is DISMISSED in its entirety.

3. The Clerk of Court is directed to CLOSE this matter.

4. Any appeal from this order is DEEMED frivolous and not in good faith. See 28 U.S.C. §1915(a)(3).

**BY THE COURT:**

/s/ James M. Munley

**JUDGE JAMES M. MUNLEY**

**United States District Court**

LEXSEE



Caution

As of: Nov 04, 2010

**R. BRADLEY MAULE, Plaintiff, v. PHILADELPHIA MEDIA HOLDINGS, LLC;  
GYRO ADVERTISING, INC.; and STEVEN GRASSE, Defendants.**

**CIVIL ACTION No. 08-3357**

**UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF  
PENNSYLVANIA**

**2009 U.S. Dist. LEXIS 6795; Copy. L. Rep. (CCH) P29,699**

**January 30, 2009, Decided**

**January 30, 2009, Filed**

**SUBSEQUENT HISTORY:** Summary judgment granted by, Summary judgment denied by Maule v. Phila. Media Holdings, LLC, 2010 U.S. Dist. LEXIS 23635 (E.D. Pa., Mar. 15, 2010)

**PRIOR HISTORY:** Maule v. Phila. Media Holdings, LLC, 2009 U.S. Dist. LEXIS 3569 (E.D. Pa., Jan. 16, 2009)

**CORE TERMS:** photograph, skyline, pig, glossy, copy-right infringement, copyrighted, website, advertising, picture, publicly, com, Lanham Act, personally liable, similarity, infringing, posted, exclusive rights, shareholder, watermark, billboard, depiction, appropriation, infringement, edition, display, copying, copied, Philly-skyline, Copyright Act, injunctive relief

**COUNSEL:** [\*1] For R. BRADLEY MAULE, Plaintiff: J. CONOR CORCORAN, LEAD ATTORNEY, LAW OFFICE OF J. CONOR CORCORAN, PHILADELPHIA, PA.

For PHILADELPHIA MEDIA HOLDINGS, LLC, Defendant: JAMES J. RODGERS, LEAD ATTORNEY, DILWORTH PAXSON LLP, PHILADELPHIA, PA.

For GYRO ADVERTISING, INC., INDIV. AND/OR D/B/A GYRO WORLDWIDE, STEVEN GRASSE, INDIV. AND/OR D/B/A GYRO ADVERTISING, INC. AND/OR D/B/A GYRO WORLDWIDE, Defendants: JUSTIN B. WINEBURGH, MELANIE A. MILLER,

LEAD ATTORNEYS, COZEN AND O'CONNOR, PHILADELPHIA, PA.

**JUDGES:** ROBERT F. KELLY, SENIOR JUDGE, UNITED STATES DISTRICT JUDGE.

**OPINION BY:** ROBERT F. KELLY

**OPINION**

**MEMORANDUM**

**ROBERT F. KELLY, Sr. J.**

Presently before the Court is the Motion of Defendants Gyro Advertising, Inc. and Steven Grasse (collectively, the "Gyro Defendants") to Dismiss the Amended Complaint of Plaintiff R. Bradley Maule ("Maule"). Additionally, Defendant Philadelphia Media Holdings, LLC ("PMH") has filed a Motion seeking to join in the Gyro Defendants' Motion to Dismiss. The Motion to Join is granted, and this Court treats the Motion to Dismiss as if filed on behalf of all three Defendants. For the reasons set forth below, the Defendants' Motion to Dismiss is granted in part and denied in part.

**I. FACTS**

Maule is a photographer [\*2] in Philadelphia, Pennsylvania, who focuses his photography on pictures of the Philadelphia area including, Philadelphia's skyline, "[its] neighborhoods, its people, culture, architecture, and its urban development." (Amend. Compl. P 9.) He also

maintains a website titled "phillyskyline.com," where he posts his photographs. Gyro Advertising, Inc. ("Gyro") is an advertising agency located in Philadelphia. Steven Grasse ("Grasse") is the chief executive officer and sole shareholder of Gyro. PMH is the publisher of *The Philadelphia Inquirer* and the *Philadelphia Daily News*, two major newspapers circulating in the Philadelphia area. On September 2, 2008, Maule filed an Amended Complaint against PMH, Gyro, and Grasse, in his individual capacity. The facts set forth in Maule's Complaint allege that, in May 2005, Maule photographed the Philadelphia skyline from the eighteenth floor of the Penn Tower, a hotel located in West Philadelphia. Maule alleges that he then altered the photograph in two ways. First, he inserted artistic conceptual renderings of the Comcast Center and Mandeville Place, buildings that had not yet been completed and which were still under construction in May 2005. Second, [\*3] in order that the photograph would contain a watermark, he modified a billboard in the picture to read: "Visit Philly Skyline Dot Com." (Amend. Compl. P 12(b)). Thereafter, Maule posted the photograph, complete with the alterations to the billboard, the Comcast Center, and Mandeville Place, on his website as a visual representation of how the Philadelphia skyline would appear in 2008 ("Projected Skyline Photograph").

Maule further alleges that, sometime in November 2007, PMH began an advertising campaign titled "The Return of the Flying Pigs." As part of this campaign, Maule alleges that PMH distributed a series of glossy inserts in its newspapers, depicting a pig flying across the Philadelphia skyline ("pig glossy"). Maule asserts that PMH cropped the picture of the Philadelphia skyline in the pig glossy from the Projected Skyline Photograph on his website, removed the "Visit Philly Skyline Dot Com" text from the billboard in the picture, and then printed the picture in its advertisements. Maule subsequently registered the Projected Skyline Photograph with the United States Copyright Office on May 13, 2008.

Maule's Complaint also alleges claims against PMH in relation to a second photograph [\*4] that Maule had posted on his website on March 13, 2008 to accompany an article he had written concerning the pending construction of the American Commerce Center. This photograph had been taken from the west side of City Hall and had never before been published. It is a depiction of the Philadelphia skyline, but with the addition of a sketch that Maule had added outlining where the American Commerce Center would be located and what it would look like upon completion ("American Commerce Photograph"). This photograph also contained a "PhillySkyline.Com" watermark. Maule asserts that, on March 17, 2008, four days after Maule posted the American Commerce Photograph on his website, PMH printed the same

photograph on the front page of that day's edition of the *Daily News*, with the "PhillySkyline.Com" watermark removed from the photograph.

On October 6, 2008, PMH filed a Motion to Dismiss Counts IV through X of Maule's Complaint. Count IV sets forth a claim for appropriation pursuant to the Restatement (Second) of Torts § 652C for use of the Projected Skyline Photograph in the pig glossy. Count V asserts a claim for copyright infringement pursuant to 17 U.S.C. §§ 503-505 for use of the Projected [\*5] Skyline Photograph in the pig glossy. Count VI is a request for injunctive relief pursuant to 17 U.S.C. § 502. Count VII is a request for declaratory relief pursuant to 28 U.S.C. § 2201, requesting that this Court invalidate PMH's copyright on the March 17, 2008 edition of the *Daily News*. Count VIII sets forth a claim for appropriation under the Restatement (Second) of Torts § 652C, relating to the use of the American Commerce Photograph in the March 17, 2008 edition of the *Daily News*. Count IX asserts a claim under the Lanham Act, 15 U.S.C. § 1125, for the use of both photographs. Finally, Count X asserts claims under the Pennsylvania Anti-Dilution Act, 54 Pa.C.S.A. §§ 1124 and 1125. On December 17, 2008, this Court entered an Order dismissing Counts IV, VIII, IX, and X as to PMH. Counts V, VI, and VII survived the Motion to Dismiss.

On December 11, 2008, the Gyro Defendants filed their Motion to Dismiss, requesting that this Court dismiss Counts I-IV and IX-X of the Amended Complaint as to Gyro and Grasse. PMH has joined in the Gyro Defendants' Motion to Dismiss. Count I asserts a claim against all Defendants for copyright infringement, relating to the use of the Projected Skyline [\*6] Photograph in the pig glossy. Count II is a request for injunctive relief pursuant to 17 U.S.C. § 502. Count III seeks declaratory relief against all Defendants and requests that Defendants' copyright in the pig glossy be invalidated. Count IV asserts a claim for appropriation under the Restatement (Second) of Torts § 652C for the Defendants' use of the Projected Skyline Photograph in the pig glossy. Count IX asserts a claim under the Lanham Act, 15 U.S.C. § 1125 for the use of both photographs. Count X asserts claims against all Defendants for violation of the Pennsylvania Anti-Dilution Act, 54 Pa.C.S.A. §§ 1124 and 1125.

## II. STANDARD OF REVIEW

A motion to dismiss, pursuant to Federal Rule of Civil Procedure 12(b)(6), tests the legal sufficiency of the complaint. *Conley v. Gibson*, 355 U.S. 41, 45-46, 78 S. Ct. 99, 2 L. Ed. 2d 80 (1957). A court must determine whether the party making the claim would be entitled to relief under any set of facts that could be established in support of his or her claim. *Hishon v. King & Spalding*,



467 U.S. 69, 73, 104 S. Ct. 2229, 81 L. Ed. 2d 59 (1984) (citing *Conley*, 355 U.S. at 45-46); see also *Wisniewski v. Johns-Manville Corp.*, 759 F.2d 271, 273 (3d Cir. 1985).

In considering a motion to dismiss, all allegations [\*7] in the complaint must be accepted as true and viewed in the light most favorable to the non-moving party. *Rocks v. City of Phila.*, 868 F.2d 644, 645 (3d Cir. 1989) (citations omitted). Exhibits which are attached to the complaint and upon which one or more claims are based can be considered in deciding a motion to dismiss pursuant to Rule 12(b)(6). See *Rossmann v. Fleet Bank (R.I.) Nat'l Assoc.*, 280 F.3d 384, 388 n.4 (3d Cir. 2002). A court need not credit either "bald assertions" or "legal conclusions" in a complaint when deciding a motion to dismiss. *Evancho v. Fisher*, 423 F.3d 347, 351 (3d Cir. 2005) (citations omitted).

### III. DISCUSSION

Per this Court's Order of December 17, 2008, dismissing Counts IV, IX, and X against PMH, Maule does not contest the dismissal of these claims with respect to the Gyro Defendants. As such, his claims for misappropriation, as well as his claims under the Lanham Act and the Pennsylvania Anti-Dilution Act (Counts IV, IX, and X) are hereby dismissed as to all Defendants. We now consider whether Counts I, II, and III survive the Motion to Dismiss.<sup>1</sup>

1 The Motion to Dismiss also seeks dismissal of Maule's claims for statutory damages in Counts I-III. Maule [\*8] similarly does not contest the dismissal of his claim for statutory damages in Counts I-III, and therefore, those claims are dismissed.

#### A. Copyright Infringement

Maule asserts claims against all Defendants for copyright infringement relating to the Defendants' use of the Projected Skyline Photograph in the pig glossy. The exclusive rights of copyright holders are codified at § 106 of the Copyright Act. 17 U.S.C. § 106. Under § 106, the copyright owner has the exclusive right both to publicly display his work and to make copies it.<sup>2</sup> A person commits copyright infringement by violating one or more of the exclusive rights of the copyright owner as enumerated in § 106. 17 U.S.C. § 501. Infringement occurs when a person reproduces, adapts, distributes, publicly performs, or publicly displays a work protected by the Copyright Act in an unprivileged way. See *id.*; § 106.

2 § 106. Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclu-

sive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work;

(3) to [\*9] distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

A copyright holder must show two things to establish a case of infringement: (1) he must demonstrate ownership of a valid copyright, and (2) he must show that the defendant has copied, displayed, or distributed protected elements of the copyrighted work. *William A. Graham Co. v. Haughey*, 430 F. Supp. 2d 458, 465 (E.D. Pa. 2006); see *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1231 (3d Cir. 1986). With regard to the first prong, a plaintiff who produces a valid copyright certificate, [\*10] which was obtained within five years of the date when the work was first published, creates a prima facie presumption as to the validity of the copyright itself. 17 U.S.C. § 410(c). As Maule has presented a copyright certificate, dated May 13, 2008, the first element has been satisfied.

In order to prove the second element of the offense, copying, a plaintiff must establish "(1) that the defendant had access to the work from which to copy and (2) substantial similarity between the two works." *Kay Berry, Inc. v. Taylor Gifts, Inc.*, 421 F.3d 199, 207-08 (3d Cir. 2005); *Wizkids Creations Co. v. Septa Transp., No. 02-3249*, 2003 U.S. Dist. LEXIS 3200, at \*10 (E.D. Pa. Feb. 27, 2003). "Access" has been defined as "a reasonable opportunity to view." *Id.*, at \*11; *Cottrill v. Spears, No. 02-3646*, 2003 U.S. Dist. LEXIS 8823, at \*16 (E.D. Pa. May 22, 2003). Defendants argue that Maule's claim for copyright infringement fails on its face because the Amended Complaint fails to allege access to the Projected Skyline Photograph on the part of the Defendants. However, Maule alleges that he posted the Projected

Skyline Photograph on his website on May 9, 2005, and that it remained there through November [\*11] 2007, the approximate date of the Defendants' allegedly infringing use of the photograph in the pig glossy. Considering that Maule and all three Defendants operate in media-related areas in the Philadelphia region, that the Amended Complaint alleges additional instances of unauthorized use on the part of PMH, and the fact that the Projected Skyline Photograph had been posted on Maule's website for nearly two years before the alleged infringing use, this Court finds that Maule has sufficiently alleged that the Defendants had a reasonable opportunity to view the Projected Skyline Photograph.

The second element a plaintiff must prove for a claim of copyright infringement is "substantial similarity." See *Kay Berry, Inc.*, 421 F.3d at 207-08. This element is comprised of two specific tests, both of which must be met. See *id.* at 208. Under the first test, or the "extrinsic" test, the fact-finder must determine if the two works are "sufficiently similar to conclude that the alleged copier . . . copied from another work to make their [sic] own." *Wizkids Creations*, 2003 U.S. Dist. LEXIS 3200, at \*11. Under the second test, or the "intrinsic" test, the fact-finder must determine "whether a 'lay [\*12] observer' would find the similarities to be the result of 'unlawful' or 'illicit' copying of another work." *Id.* at \*12.

First, Maule has alleged that the depiction of the Philadelphia skyline in Defendants' pig glossy was taken from the same location as his Projected Skyline Photograph. Second, Maule alleges that the depictions of the Comcast Center and Mandeville Place in the pig glossy are identical to his depictions of these buildings in the Projected Skyline Photograph, despite the fact that these buildings were not built at the time of either publication. Furthermore, Maule alleges that the Defendants removed the "Visit Philly Skyline Dot Com" watermark from the billboard and then cropped the photograph and sized it for their own uses. This Court finds that these allegations are sufficient to establish the element of substantial similarity. If the allegations of the Amended Complaint prove true, a reasonable jury could conclude that the two works are sufficiently similar, such that the skyline in the pig glossy was copied from the Projected Skyline Photograph. A jury could also conclude that these similarities resulted from the unlawful copying of the original work. As such, Maule's [\*13] claims for copyright infringement withstand the Motion to Dismiss.

#### **B. Claims Against Defendant Grasse, Individually**

The Defendants assert that the claims against Grasse in his individual capacity must be dismissed. In support of this contention, the Defendants point to the fact that Gyro has been incorporated since 1989 and employs over fifty individuals. Thus, they assert that Maule has failed

to allege a sufficient justification for piercing the corporate veil, and in attempting to hold Grasse personally liable, Maule has ignored Gyro's legitimate corporate structure.

It is well-settled that a shareholder is generally not personally liable for the actions of the corporation. *Kaplan v. First Options*, 19 F.3d 1503, 1520-21. (3d Cir. 1994). Nevertheless, the corporate veil is appropriately pierced where the corporation is really nothing more than a "sham" or "facade for the operations of the dominant shareholder." See *id.* at 1521. "An officer or director of a corporation who knowingly participates in the infringement can be held personally liable, jointly and severally, with the corporate defendant." *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 160 (3d Cir. 1984). [\*14] Furthermore, "[o]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing activity of another, may be held liable as a 'contributory' infringer." *Id.*

The allegations set forth against Grasse, if proven, would suffice to hold him personally liable on Maule's claims of copyright infringement, and therefore, these claims survive the Motion to Dismiss. The Amended Complaint alleges that Grasse is the sole shareholder of Gyro, that he uses corporate funds for his own private use, and that he treats the corporation as an "individual proprietorship rather than a corporation." (Amend. Compl. P 8.) Additionally, Maule asserts that, despite Gyro's incorporation and/or its number of employees, Grasse exhibits control over the corporation "to such an extent that (the corporation) became nothing more than a sham to disguise the alter ego's use." (Pl.'s Ans. Mot. Dismiss 7.) As such, Maule asserts that Grasse, individually, has knowingly participated in the infringing use of his photographs, and uses Gyro's corporate form to mask his personal conduct. If proven, these allegations would be enough to hold Grasse personally liable on Maule's claim [\*15] of copyright infringement. As such, the Motion to Dismiss is denied with respect to this claim.

An appropriate Order follows.

#### **ORDER**

**AND NOW**, this 30th day of January, 2009, upon consideration of the Motion to Dismiss filed by Defendants Gyro Advertising, Inc. and Steven Grasse (Doc. No. 22), as well as the Motion for Joinder in the Motion to Dismiss of Defendants Gyro Advertising, Inc. and Steven Grasse filed by Defendant Philadelphia Media Holdings, LLC (Doc. No. 23), it is hereby **ORDERED** as follows:

(1) The Motion for Joinder filed by Philadelphia Media Holdings (Doc. No. 23) is **GRANTED**; and

(2) The Motion to Dismiss filed by Defendants Philadelphia Media Holdings, LLC, Gyro Advertising, Inc., and Steven Grasse (Doc. No. 22) is **GRANTED** as to Counts IV, IX, and X, and **DENIED** as to Counts I, II, and III.

BY THE COURT:

/s/ Robert F. Kelly

ROBERT F. KELLY

SENIOR JUDGE

LEXSEE

**NOURISON INDUSTRIES, INC., Plaintiff, vs. VIRTUAL STUDIOS, INC., Defendant.**

**Civil Action No.: 09-5746 (PGS)**

**UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY**

**2010 U.S. Dist. LEXIS 55545**

**June 3, 2010, Decided**

**June 3, 2010, Filed**

**NOTICE: NOT FOR PUBLICATION**

**CORE TERMS:** counterclaim, unjust enrichment, registration, copyright infringement, leave to amend, digital, scene, futility, fail to state, factual allegations, invoices, amend, certificates, Copyright Act, copyright law, case law, floor coverings, exclusive right, express contract, unavailable, infringing, prevailing, cross-motion, ownership, equitable, display, copying, unjust, usage, moot

**COUNSEL:** [\*1] For NOURISON INDUSTRIES, INC., Plaintiff: MARC D. HAEFNER, RUKHSANAH L. LIGHARI, CONNELL FOLEY, LLP, ROSELAND, NJ.

For VIRTUAL STUDIOS, INC., Defendant: FRANK E. CATALINA, MARGUILIES, WIND PA, JERSEY CITY, NJ.

For VIRTUAL STUDIOS, INC., Counter Claimant: FRANK E. CATALINA, MARGUILIES, WIND PA, JERSEY CITY, NJ.

For NOURISON INDUSTRIES, INC., Counter Defendant: MARC D. HAEFNER, RUKHSANAH L. LIGHARI, CONNELL FOLEY, LLP, ROSELAND, NJ.

**JUDGES:** HON. PETER G. SHERIDAN, United States District Judge.

**OPINION BY:** PETER G. SHERIDAN

**OPINION**

**SHERIDAN, U.S.D.J.**

This is a copyright infringement and breach of contract case. Nourison Industries, Inc. ("Nourison") has

filed suit against Virtual Studios, Inc. ("Virtual") seeking a declaratory judgment that it is not liable for its use of certain computer generated images owned by Virtual. Currently before the Court is Nourison's motion to dismiss counts one and three of Virtual's counterclaim, and Virtual's motion for leave to amend count one of its counterclaim. For the following reasons, Virtual's motion is granted, and Nourison's motion is granted in part and denied in part.

## **I. BACKGROUND**

Virtual markets itself as one of the largest digital output providers "to the graphic arts industry" [\*2] in the southeastern United States. (Counterclaim P 2.) Among other things, Virtual provides its customers with "digital photography scanning, design and illustration, digital offset printing, presentation graphics, image setting, digital color printers proofs, mounting and laminating." (*Id.* P 2.) In conjunction with these services, "[a]pproximately, 13 years ago, Virtual developed a unique software program enabling it to offer carpet and rug manufacturers digital room scenes on which to display their products in sales, advertising and marketing materials." (*Id.* P 3.)

"Nourison is a leading designer, producer and importer of high quality floor coverings in the United States." (Compl. P 6.) In or around 1998, Virtual began providing Nourison with digital room scenes intended to display its floor coverings. (Counterclaim P 5.) Under the terms of the parties' arrangement, once the images were prepared, Virtual sent Nourison invoices "in a regular course of business." (*Id.* P 7.) The back of these invoices contained the following "terms and conditions" governing the usage of Virtual's images:

[Virtual] will provide its Client with the unlimited use of all photographs for a period of 1 year [\*3] from the day of completion and payment of services as stated below

\* \* \*

Client may not assign or transfer this agreement or any rights granted here under . . . . No amendment or waiver of any terms is binding unless set forth in writing and signed by the parties. This agreement incorporates by reference Article 2 of the [UCC].

\* \* \*

[Virtual] reserves the right to pursue unauthorized users of any [Virtual] room scene image. If you violate our intellectual property you may be liable for actual damages, loss of income, and profits you derived from the use of this image or clip, and, where appropriate, the cost of collection and/or statutory damages up to \$ 150,000 (U.S.D.) per image.

(*Id.* P 8.) In addition to these terms and conditions, Nourison also allegedly agreed that Virtual had "sole and exclusive right to manipulate the room scene images by imposing thereon various images of rugs and carpeting products manufactured by Nourison." (*Id.* P 10.)

In or around early 2007, Nourison "discontinued" its relationship with Virtual. (*Id.* P 11.) Shortly thereafter, Virtual "discovered that Nourison had continued to use [its] images" beyond the one year licensing period set forth in Virtual's terms [\*4] and conditions. (*Id.* P 12.) Virtual also realized that Nourison had superimposed its own images on Virtual's room scenes. (*Id.* P 14.) Consequently, in January 2007, Thomas Sucher, President of Virtual advised Dave Forman, an Atlanta-based employee of Nourison, that Nourison's conduct was "improper, unlawful and infringing" upon Virtual's copyrights. (*Id.* P 15.) According to Virtual, "Forman admitted infringement," but told Sucher that any lawsuit brought by Virtual would merely result in "a slap on the wrist." (*Id.*)

In July 2009, Sucher met with Andrew Peykar and Gerard O'Keefe, Vice Presidents at Nourison, to discuss for a second time Nourison's usage of Virtual's images beyond the one year licensing period. (*Id.* P 16.) At this meeting, Peykar allegedly "acknowledged that Nourison had improperly infringed on Virtual's copyrights and breach its agreement." (*Id.* P 17.) Nonetheless, the parties

were unable to resolve their dispute. As a result, by e-mail dated November 5, 2009, Virtual's counsel informed Nourison that litigation would be forthcoming. (Compl. P 25.) However, prior to Virtual filing suit, on November 12, 2009, Nourison preemptively commenced a two count declaratory judgment [\*5] action seeking a declaration that it did not breach "any contract" with Virtual or infringe on Virtual's copyrights. On January 12, 2009, Virtual filed an answer and counterclaim alleging three counts: (1) copyright infringement; (2) breach of contract; and (3) unjust enrichment. Nourison now moves to dismiss counts one and three of Virtual's counterclaim, and Virtual cross-moves for leave to amend count one of its counterclaim. <sup>1</sup>

1 Virtual could have amended its counterclaim as a right within 21 days after service of Nourison's motion to dismiss pursuant to Rule 15(a)(1)(B) of the Federal Rules of Civil Procedure. Instead, Virtual filed a cross-motion for leave to amend 27 days after service of Nourison's motion. Virtual has not sought to amend counts two or three of its counterclaim. Those allegations remain the same.

## II. STANDARD

The Court will first address Virtual's motion for leave to amend count one of its counterclaim, as it may moot in part Nourison's motion to dismiss. Pursuant to Rule 15(a)(2) of the Federal Rules of Civil Procedure, leave to amend shall be freely given when, in a court's discretion, "justice so requires." Foman v. Davis, 371 U.S. 178, 182, 83 S. Ct. 227, 9 L. Ed. 2d 222 (1962). However, a [\*6] court may deny a motion for leave to amend where there is "undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, [or] futility of the amendment." *Id.* "Futility means that the [counterclaim], as amended, would fail to state a claim upon which relief could be granted." In re Burlington Coat Factory Sec. Litig., 114 F.3d 1410, 1434 (3d Cir. 1997) (internal quotations omitted).

Determining whether a counterclaim fails to state a claim upon which relief can be granted requires a court to accept as true all allegations in the counterclaim and to view the facts in a light most favorable to the non-moving party. See Ashcroft v. Iqbal, 129 S. Ct. 1937, 1949-50, 173 L. Ed. 2d 868 (2009) (addressing allegations in complaint); Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007).<sup>2</sup> A counterclaim should be dismissed only if the alleged facts, taken as true, fail to state a claim. Iqbal, 129 S. Ct. at 1950. A court will not, however, accept bald asser-

tions, unsupported conclusions, unwarranted inferences, or sweeping legal conclusions cast in the form [\*7] of factual allegations. Iqbal, 129 S. Ct. at 1949. "While a [counterclaim] attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations, a plaintiff's obligation to provide the 'grounds' of his 'entitlement] to relief requires more than labels and conclusions, and a formulaic recitation of the elements." Twombly, 550 U.S. at 555. In other words, "factual allegations must be enough to raise a right to relief above the speculative level." *Id.*

2 The standard governing the futility of a counterclaim is the same as the standard for futility of a complaint. See Johnson v. Resources for Human Dev., Inc., 860 F. Supp. 218, 220 (E.D. Pa. 1994).

### III. DISCUSSION

In order to state a claim for copyright infringement, a party must satisfy the following elements: (1) the specific original works are the subject of the copyright claim; (2) ownership over the copyrighted works; (3) registration of the copyright in accordance with 17 U.S.C. § 411(a); and (4) the infringing acts. Kelly v. L.L. Cool J., 145 F.R.D. 32, 36 (S.D.N.Y. 1992), *aff'd* 23 F.3d 398 (2d Cir. 1994); *accord Gateway 2000, Inc. v. Cyrix Corp.*, 942 F. Supp. 985, 994 (D.N.J. 1996) (copyright claim requires "ownership [\*8] of a valid copyright and copying by the defendant of component elements of the work that are original").

Virtual's proposed copyright infringement claim is not futile. Virtual did fail to allege copyright registration, the third element of its claim, in its original complaint.<sup>3</sup> However, that pleading deficiency was corrected in its proposed amended complaint. (Proposed Amend. Compl. P 19.) Moreover, Virtual's omission was apparently through no fault of its own. Virtual applied for registration in advance of filing its counterclaim, but did not receive the registration certificates by the time the counterclaim was filed. Its applications were "misplaced" by the Copyright Office. (Sucher Cert. P 8.) Only after Sucher subsequently contacted the Copyright Office, and the applications were retrieved, did the Copyright Office issue the necessary certificates of registration. (*Id.* Ex. A.) Accordingly, in the interest of justice, the Court will grant Virtual leave to file its proposed amended copyright infringement claim, and deny Nourison's motion to dismiss on this count as moot.<sup>4</sup>

3 The Third Circuit has not addressed the issue, but every court of appeals (except the Fifth Circuit) has held [\*9] that "actual registration, not mere application," is required to satisfy the regis-

tration requirements of the Copyright Act. 5 Patry on Copyright § 17:78 (March 2010). There is an apparent split amongst district courts in this Circuit between courts following the prevailing view and those following Fifth Circuit law. Compare Riordan v. H.J. Heinz Co., Civil Action No. 08-1122, 2009 U.S. Dist. LEXIS 114165, 2009 WL 4782155, at \*9 (W.D. Pa. Dec. 8, 2009) (relying on prevailing case law) with Wilson v. Mr. Tee's, 855 F. Supp. 679, 682-83 (D.N.J. 1994) (relying on Fifth Circuit case law).

4 Nourison suggests that the certificates of registration attached to the Sucher Certification are incomplete and possibly defective. (Reply Br. at 6-7.) However, to the extent any of Virtual's copyrights are invalid, those issues can be addressed through discovery and summary judgment.

In addition to count one, Nourison also seeks dismissal of count three of Virtual's counterclaim for unjust enrichment, which Virtual has not sought leave to amend. The doctrine of unjust enrichment rests on the equitable principle that a person shall not be allowed to enrich himself unjustly at the expense of another. Assocs. Comm. Corp. v. Wallia, 211 N.J. Super. 231, 244, 511 A.2d 709 (App. Div. 1986). [\*10] A plaintiff can ordinarily recover under this doctrine where "the defendant 'received a benefit, and that retention of the benefit without payment therefore would be unjust.'" *Id.* (quoting Callano v. Oakwood Park Homes Corp., 91 N.J. Super. 105, 109, 219 A.2d 332 (App. Div. 1966)). However, unjust enrichment is unavailable in copyright infringement claims where (1) the particular work "falls within the type of works protected by the Copyright Act," and (2) the equitable rights asserted that are "equivalent to" one of the bundle of exclusive rights already protected by copyright law. Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 210 F. Supp. 2d 552, 564 (D.N.J. 2002) (citing Nat'l Basketball Ass'n v. Motorola, Inc., 105 F.3d 841, 848 (2d Cir. 1997)).<sup>5</sup>

5 Unjust enrichment is also generally unavailable where an express contract governs the parties relationship. See Moser v. Milner Hotels, Inc., 6 N.J. 278, 280, 78 A.2d 393 (1951). Although there is an express contract in this case -- the terms and conditions set forth on the back of Virtual's invoices -- Nourison has not argued that this agreement precludes Virtual's unjust enrichment claim.

Virtual's unjust enrichment claim must be dismissed because it is [\*11] preempted by copyright law. The allegations that form the basis for Virtual's unjust enrichment claim -- the copying and distribution of Vir-

tual's digital room scenes -- also underlie its copyright claim. Moreover, Virtual has not opposed dismissal of its unjust enrichment claim or sought to amend its unjust enrichment allegations. Accordingly, count three of Virtual's counterclaim is dismissed.

#### **IV. CONCLUSION**

For the foregoing reasons, Virtual's cross-motion for leave to amend count one of its counterclaim is granted, and Nourison's motion to dismiss counts one and three of the counterclaim is granted in part and denied in part.

Within 30 days, Virtual may file a first amended counterclaim setting forth its proposed amended copyright infringement claim (count one) and its breach of contract claim (count two). Virtual's unjust enrichment claim (count three) is dismissed.

/s/ PETER G. SHERIDAN

HON. PETER G. SHERIDAN, U.S.D.J.

Dated: June 3, 2010



Analysis  
As of: Nov 04, 2010

**WALTER ANDRE SHARPE, Plaintiff, v. COUNTY OF DAUPHIN, JOSEPH BARBUSH, COUNTY OF MONTGOMERY, DIANE DEANTONIA, ' DOROTHY MASSELI, and JOHN DOES 1-10, Defendants.**

1 Within the Objections to the R&R, Defendants inform the Court that Diane Smith is misidentified in the Amended Complaint as Diane Deantonina.

Case 1:09-cv-00989

**UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

2010 U.S. Dist. LEXIS 92799

September 7, 2010, Decided  
September 7, 2010, Filed

**PRIOR HISTORY:** Sharpe v. County of Dauphin, 2010 U.S. Dist. LEXIS 92794 (M.D. Pa., Aug. 10, 2010)

**CORE TERMS:** recommendation, deprivation, punitive, factual allegations, damages claim, child support, recommends, tampering, survive, custom, entitled to relief, failure to train, altered, obligor, notice, process rights, process violation, standard of review, de novo, public records, pleads facts, protected right, false impression, intentionally, plausibility, participated, maliciously, delinquent, resolving, falsified

**COUNSEL:** [\*1] For Walter Andre Sharpe, Plaintiff: Spero T. Lappas, LEAD ATTORNEY, Serratelli, Schiffman, Brown & Calhoun, P.C., Harrisburg, PA.

For County of Dauphin, Defendant: Matthew Lee Owens, LEAD ATTORNEY, Owens Barcavage & McInroy LLC, Harrisburg, PA.

For Dauphin County Domestic Relations Office, Joseph Barbush, Individually and as an employee of Dauphin County, Defendants: Michael P. Daley, LEAD ATTORNEY, Supreme Court of Pennsylvania, AOPC, Philadelphia, PA.

For County of Montgomery, Diane Deantonina, Individually and as an employee of Montgomery County, Doro-

thy Masseli, Individually and as an employee of Montgomery County, Defendants: John P. Gonzales, LEAD ATTORNEY, Marshall, Dennehey, Warner, Coleman & Goggin, King of Prussia, PA.

For Montgomery County Domestic Relations Office, Defendant: Michael P. Daley, LEAD ATTORNEY, Supreme Court of Pennsylvania, AOPC, Philadelphia, PA.

**JUDGES:** Hon. John E. Jones III, United States District Judge. Hon. Malachy E. Mannion.

**OPINION BY:** John E. Jones III

**OPINION**

**MEMORANDUM AND ORDER**

**THE BACKGROUND OF THIS MEMORANDUM IS AS FOLLOWS:**

This matter is before the Court on the Report and Recommendation ("R&R") of Magistrate Judge Malachy E. Mannion (Doc.40), filed on August 10, 2010 which recommends [\*2] that we grant in part and deny in part the Motions to Dismiss the Amended Complaint of the County of Dauphin and Joseph Barbush (collectively the "Dauphin County Defendants") (Doc. 28) and the County of Montgomery, Diane Smith and Dorothy Masseli (col-



lectively the "Montgomery County Defendants") (Doc. 31), filed on November 18 and 19, 2009 respectively. Magistrate Judge Mannion makes the following specific recommendations with respect to the Motions:

1. That the Dauphin County Defendants' Motion be granted with respect to the claims against Dauphin County, including the punitive damages claim;

2. That the Dauphin County Defendants' Motion be denied with respect to Plaintiff's procedural and substantive due process claims and punitive damages claim against Defendant Barbush;

3. That the Dauphin County Defendants' Motion be denied with respect to Defendant Barbush's qualified immunity defense;

4. That the Montgomery County Defendants' Motion be granted with respect to the claims against Montgomery County, including the punitive damages claim; and

5. That the Montgomery County Defendants' Motion be denied with respect to Plaintiff's procedural and substantive due process claims and punitive [\*3] damages claim against Defendants Smith and Masseli.

On August 23, 2010, the Montgomery County Defendants filed objections to the R&R. (Docs. 41-42). On August 27, 2010, the Plaintiff filed objections to the R&R. (Docs. 43-44). The Dauphin County Defendants did not file objections to the R&R, and the deadline for doing so has passed. Accordingly, this matter is ripe for our review.

For the reasons that follow, we shall adopt in part and reject in part the Magistrate Judge's R&R.

## I. STANDARDS OF REVIEW

### A. Review of a Magistrate Judge's Report

When objections are filed to the report of a magistrate judge, the district court makes a *de novo* determination of those portions of the report or specified proposed findings or recommendations to which objections are made. 28 U.S.C. § 636(b)(1); *United States v. Raddatz*, 447 U.S. 667, 674-75, 100 S. Ct. 2406, 65 L. Ed. 2d 424 (1980). The court may accept, reject, or modify, in whole or in part, the magistrate judge's findings or recommen-

dations. *Id.* Although the standard of review is *de novo*, 28 U.S.C. § 636(b)(1) permits whatever reliance the district court, in the exercise of sound discretion, chooses to place on a magistrate judge's proposed findings and recommendations. *Raddatz*, 447 U.S. at 674-75; [\*4] see also *Mathews v. Weber*, 423 U.S. 261, 275, 96 S. Ct. 549, 46 L. Ed. 2d 483 (1976); *Goney v. Clark*, 749 F.2d 5, 7 (3d Cir. 1984).

### TB. F.R.C.P. 12(b)(6) Motion to Dismiss Standard

In considering a motion to dismiss pursuant to Rule 12(b)(6), courts "accept all factual allegations as true, construe the complaint in the light most favorable to the plaintiff, and determine whether, under any reasonable reading of the complaint, the plaintiff may be entitled to relief." *Phillips v. County of Allegheny*, 515 F.3d 224, 231 (3d Cir. 2008) (quoting *Pinker v. Roche Holdings, Ltd.*, 292 F.3d 361, 374 n.7 (3d Cir. 2002)). In resolving a motion to dismiss pursuant to Rule 12(b)(6), a court generally should consider only the allegations in the complaint, as well as "documents that are attached to or submitted with the complaint, . . . and any matters incorporated by reference or integral to the claim, items subject to judicial notice, matters of public record, orders, [and] items appearing in the record of the case." *Buck v. Hampton Twp. Sch. Dist.*, 452 F.3d 256, 260 (3d Cir. 2006).

A Rule 12(b)(6) motion tests the sufficiency of the complaint against the pleading requirements of Rule 8(a). Rule 8(a)(2) requires that a complaint contain [\*5] a short and plain statement of the claim showing that the pleader is entitled to relief, "in order to give the defendant fair notice of what the claim is and the grounds upon which it rests." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007) (quoting *Conley v. Gibson*, 355 U.S. 41, 47, 78 S. Ct. 99, 2 L. Ed. 2d 80 (1957)). While a complaint attacked by a Rule 12(b)(6) motion to dismiss need not contain detailed factual allegations, it must contain "sufficient factual matter, accepted as true, to 'state claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, U.S. , , 129 S. Ct. 1937, 1949, 173 L. Ed. 2d 868 (2009). To survive a motion to dismiss, a civil plaintiff must allege facts that 'raise a right to relief above the speculative level . . .'" *Victaulic Co. v. Tieman*, 499 F.3d 227, 235 (3d Cir. 2007) (quoting *Twombly*, 550 U.S. at 555). Accordingly, to satisfy the plausibility standard, the complaint must indicate that defendant's liability is more than "a sheer possibility." *Iqbal*, 129 S.Ct. At 1949. "Where a complaint pleads facts that are 'merely consistent with' a defendant's liability, it 'stops short of the line between possibility and plausibility of entitlement to relief.'" *Id.* (quoting *Twombly*, 550 U.S. at 557).

Under [\*6] the two-pronged approach articulated in *Twombly* and later formalized in *Iqbal*, a district court must first identify all factual allegations that constitute nothing more than "legal conclusions" or "naked assertions." *Twombly*, 550 U.S. at 555, 557. Such allegations are "not entitled to the assumption of truth" and must be disregarded for purposes of resolving a 12(b)(6) motion to dismiss. *Iqbal*, 129 S.Ct. at 1950. Next, the district court must identify "the 'nub' of the . . . complaint -- the well-pleaded, nonconclusory factual allegation[s]." *Id.* Taking these allegations as true, the district judge must then determine whether the complaint states a plausible claim for relief. *See id.*

However, "a complaint may not be dismissed merely because it appears unlikely that the plaintiff can prove those facts or will ultimately prevail on the merits." *Phillips*, 515 F.3d at 231 (citing *Twombly*, 127 S.Ct. at 1964-65, 1969 n.8). Rule 8 "does not impose a probability requirement at the pleading stage, but instead simply calls for enough facts to raise a reasonable expectation that discovery will reveal evidence of the necessary element." *Id.* at 234.

## II. FACTS

Plaintiff Walter Andre Sharpe ("Plaintiff" [\*7] or "Sharpe") brings this action alleging violations of his due process rights protected under the Fourteenth Amendment to the United States Constitution and enforced pursuant to 42 U.S.C. § 1983.<sup>2</sup> Plaintiff alleges that Dauphin County, Montgomery County, and employees of both counties violated his civil rights in conjunction with a child support proceeding in the Dauphin County Court. Plaintiff alleges that Defendant Smith tampered and/or altered public records so as to "merge" his name with the name of the true father in the Dauphin County proceeding, and that Defendant Masselli "may have" participated in the alteration of the documents. (A.C. ¶ 24). Plaintiff further alleges that Defendant Barbush maliciously and intentionally falsified records to create the false impression that Plaintiff was a delinquent child support obligor when, in fact, Plaintiff was not the father of the child at issue in the Dauphin County support proceeding. (A.C. ¶21).

2 The Amended Complaint, which is the subject of Defendants' Motions to Dismiss, was filed on October 19, 2009.

The alleged tampering by Smith and, perhaps, Masselli is alleged to have occurred in 1999. Plaintiff does not specify how documents [\*8] altered by Smith and Masselli, Montgomery County employees, impacted him in Dauphin County, nonetheless, Plaintiff alleges that improper support orders were entered against him in subsequent child support proceeding in 2001 that occurred in

Dauphin County. Plaintiff's failure to comply with these improper orders led to various troubles for him, including being held in contempt of court, arrested and incarcerated. Ultimately, in 2007, Plaintiff was exonerated by a Dauphin County Court ruling vacating the paternity finding and all orders by that Court, including financial obligations to pay support, were vacated.

## III. DISCUSSION

### A. Claims against Dauphin and Montgomery Counties

Magistrate Judge Mannion recommends that the Plaintiff's claims against Dauphin and Montgomery Counties, including claims for punitive damages,<sup>3</sup> be dismissed. Magistrate Judge Mannion concludes that Plaintiff's pleading does not set forth sufficient factual detail to support a failure to train claim pursuant to *Monell v. Dep't of Soc. Servs. of the City of New York*, 436 U.S. 658, 691-94, 98 S. Ct. 2018, 56 L. Ed. 2d 611 (1978) against either County.<sup>4</sup> Plaintiff objects to the Magistrate Judge's recommendation arguing that his "claim [*sic*] against [\*9] Dauphin and Montgomery County are laid out in specific detail." (Doc. 44, p. 8).

3 Plaintiff has conceded that the punitive damages claim against Dauphin and Montgomery Counties must be dismissed.

4 In order for a municipality to be held liable under § 1983, a plaintiff must establish (1) a deprivation of a constitutionally protected right (2) resulting from a policy, practice or custom.

The following are Plaintiff's allegations against the County Defendants with respect to the *Monell* claim:

"All of Plaintiff's damages were the direct, legal, and proximate result of, *inter alia*:

a. Constitutionally inadequate training by the Defendant Counties of their employees and agents who had responsibility for domestic relations and child support cases.

b. The Counties' failure to train its employees to properly respond to cases in which identity of the support obligor was an issue, and in which a defendant or potential defendant claimed not to be the

person lawfully obligated to pay support.

c. The Counties' failure to have in place adequate and sufficient policies, guidelines, practices, and safeguards to prevent tampering with documents, records, identity data or other information.

d. The Counties' [\*10] failure to supervise their employees properly to prevent tampering with documents, records, identity data, or other information.

e. These failures to provide adequate training, supervision, policies, guidelines, practices, and safeguards constituted deliberate indifference to the excessive risk of danger to the health, welfare, and safety of citizens such as this Plaintiff and to this Plaintiff in particular.

f. Further, these failures are reflective of county policies of unconstitutional derelictions which, independently and taken together with the other unconstitutional acts averred in this First Amended Complaint, caused the Plaintiff's injuries.

(A.C.¶ 47).

We do not agree with the Magistrate Judge's conclusion that Plaintiff's failure to train allegations against the Counties do not pass muster under *Twombly's* pleading standard. This Court has previously dismissed *Monell* claims holding that "while [a] Plaintiff need not plead detailed facts regarding the alleged policy, custom, or practice, [he] must, in the very least, plead facts that: (I) put Defendants on notice with regards to the basis for the alleged policy, custom, or practice, and (II) "show " that he is entitled to relief [\*11] as a result of that policy,

custom, or practice." *Bittner v. Snyder County*, 2009 U.S. Dist. LEXIS 5094, 2009 WL 1799766, \*8 (M.D.Pa. Jan. 26, 2009)(citing *Twombly*, 127 S. Ct. at 1964). In contrast, here we find that Plaintiff's pleading is detailed enough to survive a Rule 12(b)(6) motion. ' Accordingly, we shall reject Magistrate Judge Mannion's recommendation in this regard.

5 We express no opinion regarding whether Plaintiff's *Monell* claims will survive a Motion for Summary Judgment after a factual record is developed, however, at this juncture, we are only tasked to analyze Plaintiff's pleading under the Rule 12(b)(6) standard. Through the prism of that standard, these claims survive.

#### B. Claims Against Defendants Smith and Masseli

Magistrate Judge Mannion recommends that the Court deny the Montgomery County Defendants' Motion with respect to the procedural and substantive due process claims against Defendants Smith and Masseli. Defendants Smith and Masseli object to this recommendation. Based upon our *de novo* review of the Amended Complaint, in view of the F.R.C.P. 12(b)(6) standard, we find that the Plaintiff has failed to state substantive and procedural due process claims against these Defendants for the reasons [\*12] that follow, and thus shall reject the Magistrate Judge's recommendation on this point.

To state a § 1983 claim based upon an alleged violation of procedural due process rights secured by the Fourteenth Amendment, a plaintiff must show:

- 1) that he was deprived of a protected liberty or property interest;
- 2) that the deprivation was without due process;
- 3) that the defendants subjected plaintiff or caused plaintiff to be subjected to this deprivation without due process;
- 4) defendants were acting under color of state law; and
- 5) plaintiff suffered injuries as a result.

*Schwartz v. County of Montgomery*, 843 F. Supp. 962, 969-73 (E.D. Pa. 1994). Morever, a "due process violation 'is not complete when the deprivation occurs; it is not complete unless the state fails to provide due process.' If there is a process on the books that appears to provide due process, the plaintiff cannot skip that process and use the Federal Courts as means to get back what he

wants." *Alvin v. Suzuki*, 227 F. 3d 107, 116 (3d Cir. 2000)(quoting *Zinermon v. Burch*, 494 U.S. 113, 126, 110 S. Ct. 975, 108 L. Ed. 2d 100 (1990)). Further, absent the right to control the process, a defendant cannot be held liable, as a matter of law, for a deprivation of said right. [\*13] See *Seener v. Kavitski*, 1995 U.S. Dist. LEXIS 6869, \*19 (E.D. Pa. 1995).

Based on these guiding legal principles, including but most notably the area of control of the process, Plaintiff's claims against Smith and Masseli necessarily fail. Neither Smith nor Masseli, both Montgomery County employees, were involved in the alleged deprivation of Plaintiff's rights, and resulting harm, all of which arose in the Dauphin County courts. Plaintiff makes no allegation that Defendants Smith or Masseli participated in the deprivation and harm that occurred in Dauphin County. Nor could Smith or Masseli, Montgomery County employees, control the process available to Plaintiff in Dauphin County. Simply put, Plaintiff has not pled a causal nexus between Defendants' Smith and Masseli's alleged conduct and the deprivation of his rights, thus, his claim cannot proceed against them.

Moreover, Plaintiff's factual allegations against Defendant Masseli are tenuous at best. In the Amended Complaint, Plaintiff "suggests" that Defendant Masseli "may have" had a part in the document tampering. As noted above, liability under § 1983 can only be premised on actual involvement in the wrong. Under *Twombly's* particularized [\*14] pleading standard, Plaintiff's unspecific and highly qualified factual allegation against Defendant Maselli does not give rise to a claim under § 1983.

Further, to establish a substantive due process violation in courts of this Circuit, a plaintiff must allege a violation of a "fundamental" protected right through conduct that "shocks the conscience." *Nicholas v. Pennsylvania State Univ.*, 227 F. 3d 133, 140 (3d Cir. 2000); *United Artists Theatre Cir., Inc. v. Twp. of Warrington*, 316 F. 3d 392, 401 (3d Cir. 2003). It is the Court's view that the allegation made by Plaintiff against Defendants Smith and Masseli, that they tampered and altered public records, without more, does not rise to the level of conscience-shocking.<sup>6</sup>

6 In contrast, with respect to Dauphin County Defendant Barbush, Plaintiff alleges that he maliciously and intentionally falsified records to create the false impression that Plaintiff was a delinquent support obligor and that he caused Plaintiff to be arrested.

Accordingly, based on all of the foregoing, we shall reject the Magistrate Judge's recommendation on these

points, and dismiss the Plaintiff's claims against Defendants Smith and Masseli.

### C. Claims Against Defendant [\*15] Barbush

Magistrate Judge Mannion recommends that Plaintiff's procedural and substantive due process claims against Defendant Barbush be permitted to proceed. As noted above, Defendant Barbush has not interposed objections to the R&R. Because we agree with the sound reasoning that led the Magistrate Judge to his recommendation with respect to the claims against Defendant Barbush, we shall adopt this recommendation. As previously discussed, the factual allegations against Defendant Barbush are far more specific and direct than those against Defendants Smith and Masseli, and thus state a claim against Defendant Barbush.

### IV. CONCLUSION

Based on the foregoing, we shall issue an Order adopting in part and rejecting in part the R&R. This matter will be remanded to Magistrate Judge Blewitt for further pre-trial management.

### NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The R&R of Magistrate Judge Mannion (Doc. 40) is **ADOPTED IN PART** and **REJECTED IN PART** to the following extent:

a. The Dauphin County Defendants' Motion to Dismiss (Doc. 28) is **DENIED** in all respects, with the exception of the punitive damages claim against Defendant Dauphin County.

b. The Montgomery County Defendants' Motion to Dismiss [\*16] (Doc. 31) is **GRANTED** with respect to the claims against Defendants Smith and Masseli and the punitive damages claim against Defendant Montgomery County. The Motion is **DENIED** in all other respects.

2. The Clerk shall terminate Defendants Smith (identified in the caption as Diane Deantonio) and Masseli as parties to this action.

3. This matter is remanded and referred to Magistrate Judge Mannion for all further pre-trial management.

/s/ John E. Jones III

John E. Jones III

United States District Judge

LEXSEE



Analysis  
As of: Nov 04, 2010

**SLEEP SCIENCE PARTNERS, Plaintiff, v. AVERY LIEBERMAN and SLEEPING  
WELL, LLC, Defendants.**

**No. 09-04200 CW**

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF  
CALIFORNIA**

**2010 U.S. Dist. LEXIS 45385**

**May 10, 2010, Decided**  
**May 10, 2010, Filed**

**SUBSEQUENT HISTORY:** Stay denied by Sleep Sci. Partners v. Lieberman, 2010 U.S. Dist. LEXIS 61719 (N.D. Cal., May 28, 2010)

**PRIOR HISTORY:** Sleep Sci. Partners v. Lieberman, 2009 U.S. Dist. LEXIS 117932 (N.D. Cal., Nov. 23, 2009)

**CORE TERMS:** trade dress, website, Copyright Act, misappropriation, puresleep, trade secret, infringement, preregistration, common law, unfair competition, unjust enrichment, cause of action, conspiracy, leave to amend, Lanham Act, television commercials, preempted, ordering, preempt, unfair, notice, subject matter, preemption, telephone, tortious interference, intellectual property, copyright infringement, misappropriated, registration, questionnaire

**COUNSEL:** [\*1] For Sleep Science Partners Inc, a California corporation, Plaintiff: Heather Gwen Flick, LEAD ATTORNEY, The Flick Group, San Francisco, CA; Alice A. Kelly, Alice A. Kelly, Chicago, IL; Joseph Ehrlich, Losch & Ehrlich, San Francisco, CA.

Avery Lieberman, an individual, Sleeping Well LLC, a Vermont LLC, Defendants: Gary Lawrence Franklin, PRO HAC VICE, Primmer Piper Eggleston & Cramer PC, Burlington, VT; Patrick Kenny Michael McCarthy, Law Offices of Patrick McCarthy, Pleasanton, CA.

**JUDGES:** CLAUDIA WILKEN, United States District Judge.

**OPINION BY:** CLAUDIA WILKEN

**OPINION**

ORDER GRANTING IN PART AND DENYING IN PART DEFENDANT SLEEPING WELL, LLC'S MOTION TO DISMISS

(Docket No. 27)

Defendant Sleeping Well, LLC moves to dismiss Plaintiff Sleep Science Partners' claims for trade dress infringement, copyright infringement, tortious interference with contract, common law misappropriation, unfair competition, civil conspiracy and unjust enrichment. Defendant Avery Lieberman has answered the complaint and does not join in the motion. Plaintiff opposes the motion. The motion was taken under submission on the papers. Having considered all of the papers submitted by the parties, the Court GRANTS Sleeping Well's motion in part and [\*2] DENIES it in part.

**BACKGROUND**

The following allegations are contained in Plaintiff's Complaint.

Plaintiff is a California-based business which manufactures, markets and sells an anti-snoring prescription mandibular repositioning device (MRD) called PureSleep. An MRD is an FDA-regulated medical device that may only be obtained by prescription from a medical doctor or dentist. In 2005, Plaintiff's founders developed a business model, the PureSleep Method, which allows

consumers to purchase a PureSleep device without visiting a dentist. The PureSleep Method consists of, among other things, a screening questionnaire, website, telephone ordering system, and television commercials. Plaintiff implemented and marketed the PureSleep device through the PureSleep Method.

In early 2006, Plaintiff entered into discussions with Defendant Avery Lieberman, a California-based dentist, to see if he would prescribe the PureSleep device using the PureSleep Method. As a condition of discussing the PureSleep Method, Plaintiff required Dr. Lieberman to sign a non-disclosure agreement. At the time of these discussions, Plaintiff had not yet publicly displayed the PureSleep Method. Dr. Lieberman helped Plaintiff [\*3] refine the PureSleep Method until May, 2007, when he ceased all communication with Plaintiff. Plaintiff launched its website and began marketing through the PureSleep Method in November, 2007.

Plaintiff alleges that Dr. Lieberman contacted Daniel and Katrine Webster, Vermont residents, and told them how to use the PureSleep Method to sell MRDs. Plaintiff claims that the Websters ordered an MRD from its website in order to test the functionality of the PureSleep device and copy the website's look and feel. Plaintiff's website requires anyone who orders a product to signify that he or she has read and agrees to be bound by Plaintiff's "Terms and Conditions" which state, in part, "No part of this website may be reproduced or transmitted." Pl.'s Compl., Ex. 1.

On August 4, 2008, the Websters registered the domain name "ZQuiet.com" and, in September, 2008, registered Defendant Sleeping Well as a limited liability company with the Secretary of State of Vermont. Sleeping Well entered into a contract with Euro RSCG Edge (Euro), a California-based media buying company, to purchase television advertising air time. Euro has always been and is Plaintiff's exclusive television media buyer. Plaintiff [\*4] spent over a year with Euro, which tested different television stations and air times to find the most profitable way to market the PureSleep device. Lindsay Decl. P 21.

In April, 2009, Sleeping Well launched its television commercials, website and ordering system. Plaintiff alleges that Sleeping Well misappropriated its PureSleep Method through Dr. Lieberman and that its website has the same format, design and feel as Plaintiff's website. Plaintiff also claims that Sleeping Well directed Euro to target the same television stations and air times that it uses to advertise the PureSleep device.

In October, 2009, Sleeping Well moved to dismiss Plaintiff's claims against it for lack of personal jurisdiction. The Court denied this motion, concluding that it has specific jurisdiction over Sleeping Well. *See generally*

Order of Nov. 23, 2009 Denying Def.'s Mot. to Dismiss (Docket No. 23).

#### LEGAL STANDARD

A complaint must contain a "short and plain statement of the claim showing that the pleader is entitled to relief." Fed. R. Civ. P. 8(a). Dismissal under Rule 12(b)(6) for failure to state a claim is appropriate only when the complaint does not give the defendant fair notice of a legally cognizable [\*5] claim and the grounds on which it rests. Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007). In considering whether the complaint is sufficient to state a claim, the court will take all material allegations as true and construe them in the light most favorable to the plaintiff. NL Indus., Inc. v. Kaplan, 792 F.2d 896, 898 (9th Cir. 1986). However, this principle is inapplicable to legal conclusions; "threadbare recitals of the elements of a cause of action, supported by mere conclusory statements," are not taken as true. Ashcroft v. Iqbal, U.S. , 129 S. Ct. 1937, 1949-50, 173 L. Ed. 2d 868 (2009) (citing Twombly, 550 U.S. at 555).

#### DISCUSSION

##### I. Trade Dress Infringement Claim

"The Lanham Act was intended to make 'actionable the deceptive and misleading use of marks,' and 'to protect persons engaged in . . . commerce against unfair competition.'" Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 28, 123 S. Ct. 2041, 156 L. Ed. 2d 18 (2003) (quoting 15 U.S.C. § 1127). The Act "prohibits actions like trademark infringement that deceive consumers and impair a producer's goodwill." *Id.* at 32. To this end, section 43(a) of the Act, 15 U.S.C. § 1125(a), proscribes "the use of false designations of origin, false descriptions, [\*6] and false representations in the advertizing and sale of goods and services." Jack Russell Terrier Network of N. Cal. v. Am. Kennel Club, Inc., 407 F.3d 1027, 1036 (9th Cir. 2005) (citing Smith v. Montoro, 648 F.2d 602, 603 (9th Cir. 1981)).

Plaintiff charges Sleeping Well with trade dress infringement, in violation of § 43(a) of the Lanham Act. Plaintiff describes its trade dress as the "unique look and feel of SSP's website, including its user interface, telephone ordering system and television commercial . . ." Compl. P 84. Sleeping Well argues that Plaintiff fails to define its trade dress with sufficient clarity. Sleeping Well also asserts that Plaintiff's trade dress infringement claim seeks protection of rights covered by the Copyright Act and that such claims should be dismissed.

##### A. Plaintiff's Alleged Trade Dress

"Trade dress protection applies to 'a combination of any elements in which a product is presented to a buyer,' including the shape and design of a product." *Art Attacks Ink, LLC v. MGA Entm't Inc.*, 581 F.3d 1138, 1145 (9th Cir. 2009) (quoting J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 8:1, at 8-3 (4th ed. 1996)). "Trade dress involves 'the [\*7] total image of a product and may include features such as size, shape, color or color combination, texture, graphics, or even particular sales techniques.'" *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 808 n.13 (9th Cir. 2003) (quoting *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 765 n.1, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992)). In evaluating a trade dress claim, a court must not focus on individual elements, "but rather on the overall visual impression that the combination and arrangement of those elements create." *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1259 (9th Cir. 2001). "Trade dress is the composite tapestry of visual effects." *Id.*

A plaintiff should clearly articulate its claimed trade dress to give a defendant sufficient notice. *See Walker & Zanger, Inc. v. Paragon Indus., Inc.*, 549 F. Supp. 2d 1168, 1174 (N.D. Cal. 2007) (citing *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 115 (2d Cir. 2001)); *Autodesk, Inc. v. Dassault Systemes Solidworks Corp.*, 2008 U.S. Dist. LEXIS 109800, 2008 WL 6742224, at \*5 (N.D. Cal.).

Plaintiff appears to seek trade dress protection of its website, telephone ordering system and television commercial. Plaintiff has not clearly plead that it defines its trade dress as these [\*8] three marketing components taken in combination. Nor has it alleged that these elements interact to create a particular visual impression. The Court therefore considers below whether Plaintiff pleads sufficient facts to support trade dress protection for each individual component.

Plaintiff seeks protection of its website's "unique look and feel." Compl. P 84. It pleads that its website's features "include (1) the ability to view SSP's television commercial; (2) user testimonials; (3) the screening questionnaire; and (4) the PureSleep Method." Compl. P 31. It also alleges that other components of the website's "design, look and feel are more subtle including, but not limited to, the size and location of text, the size and location of graphics, the features that it offers and the location of hyperlinks of those features." *Id.* Plaintiff then describes several other website design elements. Compl. P 51. Although it has cataloged several components of its website, Plaintiff has not clearly articulated which of them constitute its purported trade dress. Notably, Plaintiff employs language suggesting that these components are only some among many, which raises a question of whether it intends [\*9] to redefine its trade dress at a future stage of litigation. Without an adequate definition

of the elements comprising the website's "look and feel," Sleeping Well is not given adequate notice.

With regard to separate trade dress protection for its telephone ordering system, Plaintiff only pleads that, through it, consumers answer a screening questionnaire. The use of a screening questionnaire would not, on its own, constitute protectable trade dress. To afford such protection would allow Plaintiff to monopolize the use of a questionnaire in connection with a telephone ordering system. Moreover, trade dress generally applies to a visual impression created through a combination of elements. Thus, it is not clear that Plaintiff may seek trade dress protection of its telephone ordering system, but if it wishes to attempt to do so, it must provide additional detail.

Finally, concerning its television commercial,<sup>1</sup> Plaintiff claims that it is "made up of a variety of carefully designed components, including an introduction with the sound of loud snoring, graphics illustrating an MRD opening a human airway and user testimonials." Compl. P 32. However, Plaintiff does not plead sufficiently [\*10] descriptive details of the graphics or any other element of its television advertisement to qualify as protected trade dress. As with its telephone ordering system, Plaintiff must more clearly describe the combination of elements contained in its television commercial for which it seeks trade dress protection.

1 At least one court has concluded that television commercials can constitute protected trade dress. *See Chuck Blore & Don Richman Inc. v. 20/20 Advertising, Inc.*, 674 F. Supp. 671 (D. Minn. 1987).

Accordingly, the Court grants Sleeping Well's motion to dismiss Plaintiff's trade dress infringement claim. Plaintiff must articulate more clearly what constitutes its trade dress.

#### B. Trade Dress Infringement and the Copyright Act

As noted above, Sleeping Well also contends that Plaintiff's trade infringement claim under the Lanham Act must be dismissed because it impermissibly overlaps with rights protected under the Copyright Act. Although Plaintiff has not adequately plead its trade dress, the Court provides the following as guidance for any amended pleading.

The Copyright Act protects "original works of authorship fixed in any tangible medium of expression, now known or later developed, from [\*11] which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. § 102(a). Protection does not extend to "any idea, procedure, process, system, method of opera-



tion, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." *Id.* § 102(b).

Courts have "long limited application of the Lanham Act so as not to encroach on copyright interests." 1 Melvin B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 1.01[D][2] (2005); see also *Dastar*, 539 U.S. at 33 (declining to apply Lanham Act in manner that would cause a "conflict with the law of copyright"). A court should not "expand the scope of the Lanham Act to cover cases in which the Federal Copyright Act provides an adequate remedy." *Shaw v. Lindheim*, 919 F.2d 1353, 1364-65 (9th Cir. 1990). "Parallel claims under the Copyright Act and Lanham Act, however, are not *per se* impermissible." *Blue Nile, Inc. v. Ice.com, Inc.*, 478 F. Supp. 2d 1240, 1244 (W.D. Wash. 2007) (citing *Nintendo of Am. v. Dragon Pac., Int'l*, 40 F.3d 1007, 1011 (9th Cir. 1994)); see also *RDF Media Ltd. v. Fox Broad. Co.*, 372 F. Supp. 2d 556, 564 (C.D. Cal. 2005) [\*12] (stating that "trademark and copyright protection may coexist," citing 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 6:5 (4th ed. 1996)).

As noted above, Plaintiff bases its trade dress infringement claim in part on the "look and feel" of its website. However, Plaintiff has filed for copyright protection for its website and seeks to sue for copyright infringement on this basis. Because Plaintiff has not adequately explained the "look and feel" of its website, it is not clear to what extent its purported trade dress falls within the scope of copyright. The Copyright Act could therefore afford an adequate remedy for the alleged infringement, and Plaintiff's trade dress infringement claim could overstep the line between the Lanham and Copyright Acts.

Nevertheless, it does not follow that a trade dress infringement claim based on the "look and feel" of a website must fail as a matter of law. Courts have concluded that a website's "look and feel" could constitute protectable trade dress that would not interfere with copyright interests. See, e.g., *Conference Archives, Inc. v. Sound Images, Inc.*, F. Supp. 2d , 2010 U.S. Dist. LEXIS 46955, 2010 WL 1626072, at \*14-\*21 (W.D. Pa.); *Blue Nile*, 478 F. Supp. 2d at 1243. [\*13] Although it has not said so explicitly, Plaintiff may have plead its trade dress claim in the alternative, accounting for a possibility that its website may not be copyrightable. However, even if Plaintiff were to plead as its trade dress a "look and feel" that does not encroach upon copyright interests, it would still bear the burden of establishing the elements of a trade dress infringement claim. "To prove trade dress infringement, a plaintiff must demonstrate that (1) the trade dress is nonfunctional, (2) the trade dress has acquired secondary meaning, and (3) there is a

substantial likelihood of confusion between the plaintiff's and defendant's products." *Art Attacks*, 581 F.3d at 1145.

The Court need not decide this issue here because Plaintiff has not adequately identified the elements of its website that comprise its alleged trade dress. However, if it intends to maintain a Lanham Act claim based on its website's "look and feel," in addition to articulating clearly the website features that comprise its alleged trade dress, Plaintiff must plead a "look and feel" that does not fall under the purview of the Copyright Act.

## II. Copyright Infringement Claim

Generally, "no civil action [\*14] for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title." 17 U.S.C. § 411(a). The requirement for preregistration or registration of the copyright is not a jurisdictional requirement.<sup>2</sup> *Reed Elsevier, Inc. v. Muchnick*, U.S. , 130 S. Ct. 1237, 1248, 176 L. Ed. 2d 18 (2010). Instead, it is a non-jurisdictional, threshold element that a plaintiff must satisfy before asserting a claim. *Id.*

2 Sleeping Well asserts that § 411(a) creates a jurisdictional bar. However, its motion was filed before the Supreme Court's decision in *Reed Elsevier, Inc.*, which held to the contrary.

Sleeping Well contests Plaintiff's assertion that its application to register the copyright of its website constitutes "preregistration." The Ninth Circuit has not decided whether an application suffices as "preregistration," and there are conflicting decisions on the matter. *Compare Kema, Inc. v. Koperwhats*, 658 F. Supp. 2d 1022, 1028-29 (N.D. Cal. 2009) (holding that an application does not constitute preregistration) with *Penpower Tech. Ltd. v. S.P.C. Tech.*, 627 F. Supp. 2d 1083, 1091 (N.D. Cal. 2008) [\*15] (concluding that plaintiff's application is "an action equivalent to 'preregistration'"). However, legislative history and associated regulations favor Sleeping Well's position.

The Family Entertainment and Copyright Act (FECA) of 2005 created a preregistration process for copyright. Pub. L. No. 109-9, § 104, 119 Stat. 218, 221-22. "FECA was concerned, in large part, with the piracy of movies and the subsequent sale and distribution of illegal copies of movies." *La Resolana Architects, PA v. Clay Realtors Angel Fire*, 416 F.3d 1195, 1207 (10th Cir. 2005). To this end, preregistration addresses "works being prepared for commercial distribution." 17 U.S.C. § 408(f). The House Judiciary Committee report on the underlying bill stated that § 408(f)

expressly requires the Register of Copyrights to issue regulations to establish a preregistration system for copyrighted works. Since works are generally not formally copyrighted until they are in final form and ready for distribution to the public, civil remedies for the distribution of pre-release works are lacking. This section will give the Register flexibility to determine which classes of works are appropriate for preregistration.

H.R. Rep. [\*16] No. 109-33, at 4 (2005), *reprinted in* 2005 U.S.C.C.A.N. 220, 223.

A work is eligible for preregistration if it is "(i) Unpublished; (ii) Being prepared for commercial distribution; and (iii) In a class of works that the Register of Copyrights has determined has had a history of infringement prior to authorized commercial release." 37 C.F.R. § 202.16(b)(3). "A work eligible for preregistration may be preregistered by submitting an application and fee to the Copyright Office pursuant to the requirements set forth in this section." *Id.* § 202.16(c)(1). "An application for preregistration is made using Electronic Form PRE." *Id.* § 202.16(c)(3).

Plaintiff's application for registration does not constitute "preregistration" for the purposes of § 411(a). Plaintiff does not argue that it applied for preregistration or that it filed an Electronic Form PRE. Nor does it assert facts to suggest that the website is eligible for preregistration. On the contrary, Plaintiff asserts that it applied for registration of its copyright. Moreover, it has already published the website on the Internet and made it available to the public. Although an application for preregistration and payment of a fee could accord [\*17] jurisdiction, an application for registration does not.

Accordingly, Plaintiff's copyright claim is dismissed without prejudice. Plaintiff may move to amend its complaint to add a copyright claim if the Copyright Office approves its application during the pendency of these proceedings.

### III. Claim for Tortious Interference with Contract

Sleeping Well contends that it cannot be held liable for tortious interference with contract because Plaintiff pleads that it is a party to the contract with which it interfered.

"To recover in tort for intentional interference with the performance of a contract, a plaintiff must prove: (1) a valid contract between plaintiff and another party; (2) defendant's knowledge of the contract; (3) defendant's intentional acts designed to induce a breach or disruption

of the contractual relationship; (4) actual breach or disruption of the contractual relationship; and (5) resulting damage." *Applied Equip. Corp. v. Litton Saudi Arabia Ltd.*, 7 Cal. 4th 503, 514 n.5, 28 Cal. Rptr. 2d 475, 869 P.2d 454 (1994) (citing *Pac. Gas & Elec. Co. v. Bear Stearns & Co.*, 50 Cal. 3d 1118, 1126, 270 Cal. Rptr. 1, 791 P.2d 587 (1990)). The "tort cause of action for interference with a contract does not lie against a party to the contract." *Applied Equip. Corp.*, 7 Cal. 4th at 514 [\*18] (citations omitted).

In its complaint, Plaintiff alleges that Sleeping Well induced its "employees or agents who have used SSP's website" to breach the site's "Terms and Conditions." Compl. P 127. In its opposition, Plaintiff asserts that "a third party entered into the Terms and Conditions of SSP's website, and SW then encouraged that third party - their web developers -- to breach SSP's website agreement." Opp'n at 10. Plaintiff then argues that it alleges tort liability based on Sleeping Well's claimed interference with the non-disclosure agreement between Dr. Lieberman and Plaintiff, even though this theory is not explicitly raised in its Complaint. Plaintiff, appearing to concede that its pleadings are not clear, "requests leave to more fully articulate" its claim. Opp'n at 10-11.

Based on its Complaint, Plaintiff's tortious interference claim fails. Plaintiff avers that Sleeping Well "intentionally and knowingly induced their employees and/or agents to access www.puresleep.com in order to copy SSP's intellectual property . . ." Compl. P 125. If this were so, then Sleeping Well's employees and agents<sup>3</sup> accessed the website and assented to the Terms and Conditions for the benefit [\*19] of Sleeping Well. This conduct would make Sleeping Well a party to the Terms and Conditions. *American Builder's Assn. v. Au-Yang*, 226 Cal. App. 3d 170, 176, 276 Cal. Rptr. 262 (1990) ("A contract made by an agent for an undisclosed principal is for most purposes the contract of the principal, . . .") (quoting *Bank of Am. v. State Bd. of Equalization*, 209 Cal. App. 2d 780, 796, 26 Cal. Rptr. 348 (1962)). Assuming that the Terms and Conditions constitute a contract, Sleeping Well cannot be held liable for tortiously interfering with it.

3 The Court does not decide, on this motion, whether Sleeping Well's web developers were its agents. Plaintiff's complaint does not allege that Sleeping Well interfered with its web developers' contracts with Plaintiff.

Accordingly, Plaintiff's tortious interference with contract claim is dismissed with leave to amend. Should Plaintiff amend its pleadings, it may not allege facts that are inconsistent with those alleged in the current Complaint.

#### IV. Claims for Common Law Misappropriation, Statutory and Common Law Unfair Competition and Common Law Unjust Enrichment

Sleeping Well contends that the Copyright Act and California's Uniform Trade Secrets Act (CUTSA) preempt Plaintiff's claims for common law [\*20] misappropriation of its intellectual property, statutory and common law unfair competition and common law unjust enrichment. Alternatively, Sleeping Well asserts that Plaintiff has not sufficiently plead its unfair competition and unjust enrichment claims.

##### A. Preemption

###### 1. Copyright Act

Two conditions must be satisfied for the Copyright Act to preempt state law: (1) "the content of the protected right must fall within the subject matter of copyright as described in 17 U.S.C. §§ 102 and 103" and (2) "the right asserted under state law must be equivalent to the exclusive rights contained in section 106 of the Copyright Act." *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137, 1150 (9th Cir. 2008) (quoting *Downing & Abercrombie & Fitch*, 265 F.3d 994, 1003 (9th Cir. 2001)).

The "equivalent rights" prong of the test requires a court to consider whether the state claim asserts rights

within the general scope of copyright as specified by section 106 of the Copyright Act. Section 106 provides a copyright owner with the exclusive rights of reproduction, preparation of derivative works, distribution, and display. To survive preemption, the state cause of action must protect rights which are [\*21] qualitatively different from the copyright rights. The state claim must have an extra element which changes the nature of the action.

*Laws v. Sony Music Entm't, Inc.*, 448 F.3d 1134, 1143 (9th Cir. 2006) (quoting *Del Madera Props. v. Rhodes & Gardner*, 820 F.2d 973 (9th Cir. 1987)).

###### 2. CUTSA

California's legislature enacted CUTSA in 1984 "to provide unitary definitions of trade secret and trade secret misappropriation, and a single statute of limitations for the various property, quasi-contractual, and violation of fiduciary relationship theories of noncontractual liability utilized at common law." *Am. Credit Indem. Co. v. Sacks*, 213 Cal. App. 3d 622, 630, 262 Cal. Rptr. 92

(1989) (internal quotation marks omitted). It defines a "trade secret" as:

information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and

(2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Cal. Civ. Code § 3426.1(d).

"CUTSA preempts common law claims that are based [\*22] on misappropriation of a trade secret." *Ali v. Fasteners for Retail, Inc.*, 544 F. Supp. 2d 1064, 1070 (E.D. Cal. 2008) (internal quotation marks omitted). However, CUTSA exempts certain claims from the scope of its preemption: it "does not affect (1) contractual remedies, whether or not based upon misappropriation of a trade secret, (2) other civil remedies that are not based upon misappropriation of a trade secret, or (3) criminal remedies, whether or not based upon misappropriation of a trade secret." Cal. Civ. Code § 3426.7(b).

"Courts have held that where a claim is based on the 'identical nucleus' of facts as a trade secrets misappropriation claim, it is preempted by [C]UTSA." *Silicon Image, Inc.*, 2007 U.S. Dist. LEXIS 39599, 2007 WL 1455903, at \*9 (N.D. Cal.). "The preemption inquiry for those causes of action not specifically exempted by § 3426.7(b) focuses on whether other claims are no more than a restatement of the same operative facts supporting trade secret misappropriation. . . . If there is no material distinction between the wrongdoing alleged in a [C]UTSA claim and that alleged in a different claim, the [C]UTSA preempts the other claim." *Convolve, Inc. v. Compaq Computer Corp.*, 2006 U.S. Dist. LEXIS 13848, 2006 WL 839022, at \*6 (S.D.N.Y.) [\*23] (applying California law).

##### B. Common Law Misappropriation Claim

Plaintiff alleges that Sleeping Well misappropriated "its Trade Secrets, Trade Dress and other intellectual property related to its Confidential Information, the PureSleep Method, the puresleep.com website, telephone ordering system and television commercial." Compl. P 141. It also incorporates paragraphs 1-139 of its Complaint into its claim for misappropriation. Sleeping Well contends that the Copyright Act preempts this claim to the extent that it is based on the copying of elements from Plaintiff's website.

Plaintiff's website or some its elements may fall within the subject matter covered by copyright. For instance, its screening questionnaire, its television commercial and its logo could fall within the scope of copyright.

To the extent that Plaintiff's misappropriation claim rests on elements covered by the Copyright Act, Plaintiff must offer an "extra element" to distinguish this claim from one for copyright infringement. Plaintiff analogizes its misappropriation claim to one for misrepresentation, which courts have concluded avoids copyright preemption. See, e.g., Silicon Image, Inc. v. Analogix Semiconductor, Inc., 2007 U.S. Dist. LEXIS 39599, 2007 WL 1455903, at \*7-\*8 (N.D. Cal.). [\*24] However, the torts of misappropriation and misrepresentation are different: misappropriation involves a defendant taking another's property for "little or no cost" and appropriating it to the detriment of the plaintiff. See Hollywood Screentest of Am., Inc. v. NBC Universal, Inc., 151 Cal. App. 4th 631, 650, 60 Cal. Rptr. 3d 279 (2007). On the other hand, misrepresentation involves fraudulent conduct. Plaintiff avers that Sleeping Well acquired elements of its website for little or no cost and used this intellectual property to its detriment. The gravamen of this claim is that Sleeping Well unlawfully acquired property, which constitutes misappropriation or copyright infringement, not misrepresentation.

Plaintiff cites *Downing* to argue that misappropriation claims are not always preempted. However, *Downing* involves the misappropriation of the names and likenesses of individuals, which is not subject matter protected under the Copyright Act. 265 F.3d at 1004-05. Thus, as to the portion of its claim directed to subject matter susceptible to copyright protection, Plaintiff's reliance on *Downing* is unavailing.

Plaintiff acknowledges that CUTSA preempts its misappropriation claim to the extent that it involves [\*25] confidential information subject to trade secret protections. Plaintiff explicitly alleges in this claim that Sleeping Well misappropriated its trade secrets. It is not apparent what this claim addresses beyond the trade secrets implicated in Plaintiff's CUTSA claim.

The Court dismisses this claim with leave to amend. Plaintiff must plead clearly what non-trade-secrets Sleeping Well allegedly misappropriated. In addition, Plaintiff must aver what has been misappropriated that is not subject to copyright protection or allege a cause of action with an extra element that distinguishes the rights asserted from those provided under the Copyright Act.

#### C. Statutory Unfair Competition Claim

California's Unfair Competition Law (UCL) prohibits any "unlawful, unfair or fraudulent business act or practice." Cal. Bus. & Prof. Code § 17200. The UCL incorporates other laws and treats violations of those laws as unlawful business practices independently actionable under state law. Chabner v. United Omaha Life Ins. Co., 225 F.3d 1042, 1048 (9th Cir. 2000). Violation of almost any federal, state or local law may serve as the basis for a UCL claim. Saunders v. Superior Court, 27 Cal. App. 4th 832, 838-39, 33 Cal. Rptr. 2d 438 (1994). [\*26] In addition, a business practice may be "unfair or fraudulent in violation of the UCL even if the practice does not violate any law." Olszewski v. Scripps Health, 30 Cal. 4th 798, 827, 135 Cal. Rptr. 2d 1, 69 P.3d 927 (2003).

Plaintiff does not identify the conduct upon which its UCL claim rests. It pleads that Sleeping Well's conduct is "unlawful and unfair," Compl. P 146, and incorporates into its UCL claim paragraphs 1-143 of the Complaint.

To the extent that Plaintiff brings this claim based on conduct involving subject matter covered by the Copyright Act, the claim is preempted if it implicates rights contained in that Act. Furthermore, this claim is preempted by CUTSA to the extent that it is based on the misappropriation of Plaintiffs' trade secrets.

Although Plaintiff's UCL claim may not be preempted in its entirety, the Court nevertheless dismisses it with leave to amend. Plaintiff's vague allegations fail to give Sleeping Well adequate notice of the nature of any unpreempted element of this claim. Plaintiff must identify the conduct of Sleeping Well that is actionable under a theory of liability that applies the UCL in a manner that avoids preemption. Plaintiff must specify whether the conduct is unlawful -- [\*27] and if so, under what law -- or if it is unfair or fraudulent. If fraud is alleged, it must be plead with particularity under Federal Rule of Civil Procedure 9(b).

#### D. Common Law Unfair Competition Claim

"The common law tort of unfair competition is generally thought to be synonymous with the act of 'passing off' one's goods as those of another." Bank of the W. v. Superior Court, 2 Cal. 4th 1254, 1263, 10 Cal. Rptr. 2d

538, 833 P.2d 545 (1992). "The tort developed as an equitable remedy against the wrongful exploitation of trade names and common law trademarks that were not otherwise entitled to legal protection." *Id.* (citation omitted). The tort requires a showing of competitive injury. *Id.* at 1264.

The thrust of Plaintiff's common law unfair competition claim is that Sleeping Well markets its MRD in a way that suggests that the product is associated with Plaintiff. Regardless of whether the advertising material at issue constitutes copyright-protected subject matter, this claim asserts rights separate from those provided under copyright law. The unfair competition tort involves "the sale of confusingly similar products, by which a person exploits a competitor's reputation in the market." *Id.* at 1263. In other words, the [\*28] tort protects against competitive injury resulting from others trading on a party's goodwill. This sufficiently provides the "extra element" necessary to avoid preemption by the Copyright Act.<sup>4</sup>

4 Sleeping Well cites *Kodadek v. MTV Networks, Inc.*, 152 F.3d 1209 (9th Cir. 1998), and *Motown Record Corp. v. George A. Hormel & Co.*, 657 F. Supp. 1236, 1239-40 (C.D. Cal. 1987), to argue that the Copyright Act preempts Plaintiff's unfair competition and unjust enrichment claims. However, both cases addressed preemption of the plaintiffs' claims under California's Unfair Competition Law, which were premised on copyright violations. See *Kodadek*, 152 F.3d at 1212-13; *Motown Record Corp.*, 657 F. Supp. at 1239-40. Plaintiff's claims are not limited to seeking recovery for copyright violations. To the extent that they are, they are preempted.

Accordingly, the Copyright Act does not preempt Plaintiff's common law unfair competition claim. Nor is the claim preempted by the CUTSA, to the extent that it does not implicate protected trade secrets. In addition, the claim sufficiently provides Sleeping Well notice of the conduct of which Plaintiff complains. The Court therefore denies Sleeping Well's motion [\*29] to dismiss this claim.

#### E. Unjust Enrichment Claim

California courts appear to be split on whether there is an independent cause of action for unjust enrichment. *Baggett v. Hewlett-Packard Co.*, 582 F. Supp. 2d 1261, 1270-71 (C.D. Cal. 2007) (applying California law). One view is that unjust enrichment is not a cause of action, or even a remedy, but rather a general principle, underlying various legal doctrines and remedies. *McBride v. Boughton*, 123 Cal. App. 4th 379, 387, 20 Cal. Rptr. 3d 115 (2004). In *McBride*, the court construed a "purported"

unjust enrichment claim as a cause of action seeking restitution. *Id.* There are at least two potential bases for a cause of action seeking restitution: (1) an alternative to breach of contract damages when the parties had a contract which was procured by fraud or is unenforceable for some reason; and (2) where the defendant obtained a benefit from the plaintiff by fraud, duress, conversion, or similar conduct and the plaintiff chooses not to sue in tort but to seek restitution on a quasi-contract theory. *Id.* at 388. In the latter case, the law implies a contract, or quasi-contract, without regard to the parties' intent, to avoid unjust enrichment. *Id.*

Another view is [\*30] that a cause of action for unjust enrichment exists and its elements are receipt of a benefit and unjust retention of the benefit at the expense of another. *Lectrodryer v. SeoulBank*, 77 Cal. App. 4th 723, 726, 91 Cal. Rptr. 2d 881 (2000); *First Nationwide Savings v. Perry*, 11 Cal. App. 4th 1657, 1662-63, 15 Cal. Rptr. 2d 173 (1992).

Plaintiff pleads that Sleeping Well has "been unjustly enriched, including without limitation by unjustly retaining the benefits from unauthorized use of SSP's Confidential Information, Trade Secrets and Related Information." Compl. P 179. As with its UCL pleadings, this broad allegation encompasses a wide variety of conduct and does not provide Sleeping Well with sufficient notice.

Because the conduct at issue in this claim is not clear, the potential preemptive effects of the Copyright Act and CUTSA are not certain. To the extent that Plaintiff intends to recover on this claim for subject matter within the purview of the Copyright Act, it cannot do so if the alleged conduct only infringes rights contained in that Act. Moreover, this claim is preempted by CUTSA to the extent that it is based on Plaintiff's trade secrets.

The Court dismisses Plaintiff's unjust enrichment claim with leave to amend because [\*31] it fails to provide Sleeping Well with adequate notice. Plaintiff must identify the conduct for which it seeks a restitutionary remedy that is not preempted.

#### V. Civil Conspiracy Claim

Plaintiff alleges that Sleeping Well conspired with Dr. Lieberman "for the purpose of misappropriating SSP's intellectual property." Compl. P 164. Sleeping Well asserts that this claim fails because conspiracy does not constitute a cause of action under California law. Also, citing *Accuimage Diagnostics Corp. v. Terarecon, Inc.*, 260 F. Supp. 2d 941 (N.D. Cal. 2003), Sleeping Well argues that dismissal is required because Plaintiff did not include its conspiracy allegations in the same section of its complaint as the allegations supporting its claim for misappropriation.

Civil conspiracy "is not a cause of action, but a legal doctrine that imposes liability on persons who, although not actually committing a tort themselves, share with the immediate tortfeasors a common plan or design in its perpetration." *Applied Equipment Corp.*, 7 Cal. 4th at 510 (citing *Wyatt v. Union Mortgage Co.*, 24 Cal. 3d 773, 784, 157 Cal. Rptr. 392, 598 P.2d 45 (1979)). "Standing alone, a conspiracy does no harm and engenders no tort liability. It must be activated [\*32] by the commission of an actual tort." *Applied Equipment Corp.*, 7 Cal. 4th at 511.

Although civil conspiracy is not an independent cause of action, this does not warrant dismissal. The claim provides a basis on which Sleeping Well and Dr. Lieberman could both be liable as co-conspirators for harm resulting from their alleged misappropriation of Plaintiff's intellectual property.

However, Plaintiff does not clearly identify the tort which Sleeping Well and Dr. Lieberman conspired to commit. Plaintiff's allegation that they conspired to misappropriate its intellectual property could encompass, at the least, both its CUTSA and common law misappropriation claims. As in *Accuimage*, Plaintiff has failed to provide Sleeping Well with adequate notice of which torts they allegedly conspired to commit. <sup>5</sup> See 260 F. Supp. 2d at 947-48. Accordingly, the Court dismisses Plaintiff's civil conspiracy claim with leave to amend. Plaintiff must identify the tortious conduct for which it seeks conspiratorial liability.

5 As noted above, Sleeping Well contends that Plaintiff must plead its allegations of conspiracy in the sections of the complaint that address the underlying tort. Although the *Accuimage* court [\*33] required such pleading, it did so only to ensure that the defendants had notice of which torts were the subject of the plaintiff's conspiracy allegations. 260 F. Supp. 2d at 947-48. However, the court did not, as Sleeping Well suggests, set this out as a formal pleading requirement for civil conspiracy claims.

## CONCLUSION

For the foregoing reasons, the Court GRANTS in part Sleeping Well's Motion to Dismiss and DENIES it in part. (Docket No. 27.) The Court's holding is summarized as follows:

1. Plaintiff's trade dress infringement claim under the Lanham Act is dismissed with leave to amend to articulate its alleged trade dress with greater detail. In any amended complaint, Plaintiff must allege a protectable trade dress on which a

Lanham Act claim could be based without impermissibly encroaching upon copyright interests.

2. Plaintiff's copyright infringement claim is dismissed without prejudice because Plaintiff has not met the requirements of 17 U.S.C. § 411(a). Plaintiff may move to amend its complaint to add a copyright claim if the Copyright Office approves its application for registration during the pendency of this action.

3. Plaintiff's tortious interference with contract claim is [\*34] dismissed with leave to amend. Sleeping Well cannot be held liable for tortiously interfering with a contract entered into by its agents for its benefit. Plaintiff may amend its complaint to plead tortious interference with a contract between Plaintiff and individuals who are not agents of Sleeping Well.

4. Plaintiff's misappropriation claim is dismissed with leave to amend to plead clearly what non-trade secrets Sleeping Well allegedly misappropriated. In addition, Plaintiff must plead material that does not fall within the subject matter of copyright or allege a cause of action with an extra element that distinguishes the rights asserted under this claim from those provided by the Copyright Act.

5. Plaintiff's UCL claim is dismissed with leave to amend. Plaintiff must plead facts that identify the conduct of Sleeping Well that is actionable under the UCL, and specify whether it is unlawful -- and if so, under what law -- or if it is unfair or fraudulent. If this claim sounds in fraud, Plaintiff must plead in accordance with Rule 9(b). The conduct plead must not be equivalent to the infringement of copyrightable material or the use of trade secrets.

6. Plaintiff's common law unfair competition [\*35] claim may go forward. The Copyright Act does not preempt this claim. Nor is the claim preempted by the CUTSA, to the extent that the facts on which it is based differ from those supporting Plaintiff's CUTSA claim.

7. Plaintiff's unjust enrichment claim is dismissed with leave to amend. Plaintiff must identify the conduct that supports

this claim, which must not be equivalent to the infringement of copyrightable material or the use of trade secrets.

8. Plaintiff's civil conspiracy claim is dismissed with leave to amend. Plaintiff must identify the torts for which it seeks conspiratorial liability.

Plaintiff may file an amended complaint addressing the deficiencies detailed above within fourteen days of

the date of this Order. If Plaintiff does so, Defendants may file a motion to dismiss three weeks thereafter, with Plaintiff's opposition due two weeks following and Defendants' reply due one week after that.

IT IS SO ORDERED.

Dated: May 10, 2010

/s/ Claudia Wilken

CLAUDIA WILKEN

United States District Judge

LEXSEE



Analysis  
As of: Nov 04, 2010

**SONY BMG MUSIC ENTERTAINMENT, et al., Plaintiffs, v. DENISE CLOUD, Defendant.**

**CIVIL NO. 08-1200**

**UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**2008 U.S. Dist. LEXIS 64373**

**August 21, 2008, Decided  
August 22, 2008, Filed, Entered**

**SUBSEQUENT HISTORY:** Motion denied by Sony Music Entm't v. Cloud, 2009 U.S. Dist. LEXIS 45427 (E.D. Pa., May 29, 2009)

**CORE TERMS:** definite, factual allegations, recording, infringement, copyrighted, infringed, notice, copyright infringement, right to relief, fair notice, speculative, network, Copyright Act, exclusive rights, citations omitted, specificity, ambiguous, discovery, download, vague, frame, willfulness

**COUNSEL:** [\*1] For SONY BMG MUSIC ENTERTAINMENT, A DELAWARE GENERAL PARTNERSHIP, ARISTA RECORDS LLC, A DELAWARE LIMITED LIABILITY COMPANY, UMG RECORDINGS, INC., BMG MUSIC, A NEW YORK GENERAL PARTNERSHIP, Plaintiffs: GEOFFREY L. BEAUCHAMP, GEOFFREY L. BEACHAMP, P.C., WILLOW GROVE, PA.

For DENISE CLOUD, Defendant: LAWRENCE E. FELDMAN, LEAD ATTORNEY, LAWRENCE E. FELDMAN & ASSOCIATES, ELKINS PARK, PA; THOMAS F. MARGIOTTI, LEAD ATTORNEY, PHILADELPHIA, PA.

**JUDGES:** CYNTHIA M. RUFÉ, J.

**OPINION BY:** CYNTHIA M. RUFÉ

**OPINION**

**MEMORANDUM AND ORDER**

**Rufe, J.**

**August 21, 2008**

This is an action for copyright infringement. Plaintiffs, all major recording companies, have filed a Complaint claiming that Defendant Denise Cloud has been identified as using a so called "Peer-to-Peer" ("P2P") online file copying network to illegally download, reproduce and distribute copies of eight identified music recordings. <sup>1</sup> Plaintiffs own or exclusively license the copyrights to the recordings in question. In response to Plaintiffs' Complaint, Defendant filed a Motion for a More Definite Statement pursuant to Federal Rule of Civil Procedure 12(e), <sup>2</sup> requesting that the Court order Plaintiffs to file additional information in a supplemental pleading, including a list [\*2] of all copyrights allegedly infringed, a copy of all relevant copyright licensing documents and Registration Certificates, a detailed statement of facts supporting Plaintiffs' claim that Defendant willfully infringed the copyrights in question, and a statement of which exclusive rights under the Copyright Act <sup>3</sup> Defendant is alleged to have violated.

<sup>1</sup> Doc. No. 1.

<sup>2</sup> Doc. No. 7.

<sup>3</sup> 17 U.S.C. § 101 et seq.

Plaintiffs filed a Response in Opposition to Defendant's Motion, <sup>4</sup> arguing therein that the Complaint is neither vague nor ambiguous, as would warrant an order



for a more definite statement under Federal Rule of Civil Procedure 12(e), and, in a parallel argument, asserting that the Complaint satisfies the pleading standard articulated in *Bell Atlantic Corp. v. Twombly*<sup>5</sup> by sufficiently setting forth facts that raise Plaintiffs' right to relief for infringement above a speculative level. Plaintiffs contend the Complaint properly states both requisite elements of a copyright infringement claim by alleging Plaintiffs' ownership of the copyrighted materials in question and Defendant's violation of at least one of the exclusive rights provided in section 106 of the Copyright Act with respect to [\*3] the relevant materials. Plaintiffs also contend the Complaint contains adequate factual allegations to survive a Rule 12 motion because it plainly sets forth the date, time, and nature of the alleged infringement, the specific copyrighted materials infringed, and the basis for Plaintiffs' belief that Defendant was the infringing party. Plaintiffs argue that a motion for more definite statement is properly for the purpose of clarifying pleadings, not forcing discovery from a plaintiff before it is due.

4 Doc. No. 12.

5 550 U.S. 544, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007).

In the Reply,<sup>6</sup> Defendant reiterates her contention that Plaintiffs' pleadings provide insufficient notice of the claims against her, in particular Plaintiffs' claim of direct infringement: Defendant argues that after *Twombly*, a claim of direct infringement must be supported by detailed factual allegations showing willfulness, and that Plaintiffs' claims fail to allege willfulness with sufficient particularity.

6 Doc. No. 14.

Disposition of the instant motion is governed by Rules 8 and 12 of the Federal Rules of Civil Procedure. In relevant part, Rule 8 states, "[a] pleading that states a claim for relief must contain: . . . a short and plain statement [\*4] of the claim showing that the pleader is entitled to relief."<sup>7</sup> Meanwhile, Rule 12(e) provides, in relevant part, "[a] party may move for a more definite statement of a pleading . . . which is so vague or ambiguous that the party cannot reasonably prepare a response."<sup>8</sup>

7 Fed. R. Civ. P. 8(a)(2) (2007).

8 Fed. R. Civ. P. 12(e).

As recently addressed by the U.S. Supreme Court in *Twombly*, Rules 8 and 12 function together to frame and govern a court's assessment of the quality of a pleading. The Third Circuit has held that although *Twombly* sets forth certain "new" concepts courts must consider when evaluating pleadings in light of Rules 8 and 12, it does not alter the well-established notice pleading standard set

forth in Rule 8(a)(2).<sup>9</sup> Indeed, the Supreme Court expressly stated that *Twombly* does not impose any new requirement of heightened detail or specificity in pleading, relative to pre-existing pleading standards under Rule 8.<sup>10</sup> Rather, *Twombly* clarifies that a plaintiff's Rule 8 obligation to make a "showing" of entitlement to relief is satisfied not by a mere "blanket assertion" or "formulaic recitation of the elements of a cause of action," but by "factual allegations [sufficient] [\*5] to raise the right to relief above the speculative level" and provide a defendant both fair notice of the claim and the "grounds upon which it rests."<sup>11</sup> The Third Circuit has understood *Twombly*'s Rule 8 discussion "to instruct that a situation may arise where . . . the factual detail in a complaint is so undeveloped that it does not provide a defendant with the type of notice . . . contemplated by Rule 8," and has "caution[ed] that without *some* factual allegation in the complaint, a claimant cannot satisfy the requirement that he or she provide not only fair notice, but also the grounds on which the claim rests."<sup>12</sup>

9 Phillips v. County of Allegheny, 515 F.3d 224, 231-33 (3d Cir. 2008).

10 Twombly, 127 S. Ct. at 1964, 1965, n.3; Phillips, 515 F.3d at 231.

11 Twombly, 127 S. Ct. at 1964, 1965.

12 Phillips, 515 F.3d at 232 (quotations and citations omitted) (emphasis added).

A motion for a more definite statement under Rule 12(e) "is directed to the rare case where because of the vagueness or ambiguity of the pleading the answering party will not be able to frame a responsive pleading."<sup>13</sup> Courts in this Circuit have noted, however, that such motions are "highly disfavored since 'the overall [\*6] scheme of the federal rules calls for relatively skeletal pleadings and places the burden of unearthing factual details on the discovery process.'"<sup>14</sup>

13 Schaedler v. Reading Eagle Publ'n, Inc., 370 F.2d 795, 798 (3d Cir. 1967).

14 See e.g., Hughes v. Smith, No. 03-5035, 2005 U.S. Dist. LEXIS 2783, 2005 WL 435226, at \*4 (E.D. Pa. Feb. 24, 2005) (citations omitted).

Here, the Court finds the Complaint to be well pleaded and to contain sufficient factual allegations to raise Plaintiffs' right to relief above a speculative level, such that Defendant's Motion for More Definite Statement will be denied. Plaintiffs adequately plead the two elements of copyright infringement, alleging that they own certain valid copyrights and that Defendant violated Plaintiffs' rights in those copyrights as provided in 17 U.S.C. § 106.<sup>15</sup> Plaintiffs support their claim by specifically identifying sufficient relevant underlying facts. They identify the copyrighted sound recordings in ques-

tion and allege facts showing their rights in the recordings. Plaintiffs amply express the basis for their belief that Defendant directly infringed the copyrights in question, by alleging that she participated in a P2P file sharing network, thereby making [\*7] copies of copyrighted materials available to others for download, and that the eight identified recordings were downloaded or distributed from an IP address under Defendant's control through the P2P network at a particular date and time "captured" by Plaintiffs' investigator. By these factual allegations, Defendant is provided fair notice of Plaintiffs' claims and the grounds on which they are based, in satisfaction of the Rule 8 notice pleading standards. Defendant's "attempts to scrutinize the [Complaint] for an absence of details stands in direct opposition to these standards[,] demands an unduly stringent degree of specificity," <sup>16</sup> and will be denied.

15 See Parker v. Google, Inc., 242 Fed. App'x 833, 836 (3d Cir. 2007) (citing Kay Berry, Inc. v. Taylor Gifts, Inc., 421 F.3d 199, 203 (3d Cir. 2005)).

16 Jones v. Select Portfolio Servicing, Inc., No 08-972, 2008 U.S. Dist. LEXIS 33284, 2008 WL 1820935, at \*3 (E.D. Pa. April 22, 2008).

**ORDER**

**AND NOW**, this 21st day of August 2008, upon consideration of Defendant's Motion For More Definite Statement Pursuant to Fed. R. Civ. P. 12(e) [Doc. No. 7], Plaintiffs' Response in Opposition [Doc. No. 12], and Defendant's Reply thereto [Doc. No. 14], it is hereby **ORDERED** that [\*8] the Motion is **DENIED**. Defendant shall file an answer to Plaintiffs' Complaint [Doc No. 1] within **fourteen (14) days** of the date of this Order.

It is so **ORDERED**.

**BY THE COURT:**

/s/ Cynthia M. Rufe

**CYNTHIA M. RUFÉ, J.**



Analysis  
As of: Nov 04, 2010

**UNIVERSAL STEEL BUILDINGS CORP., KING SOLOMON CREATIVE ENTERPRISES CORP., and KING DAVID INTERACTIVE CORP., Plaintiffs, v. SHORE CORP. ONE and BRUCE SHORE, Defendants.**

**Civil Action No. 09-0656**

**UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

**2010 U.S. Dist. LEXIS 27817**

**March 24, 2010, Decided  
March 24, 2010, Filed**

**PRIOR HISTORY:** Universal Steel Bldgs. Corp. v. Shore Corp. One, 2010 U.S. Dist. LEXIS 5839 (W.D. Pa., Jan. 25, 2010)

Gary L. Lancaster,  
Chief Judge.

**CORE TERMS:** personal jurisdiction, default judgment, photographs, website, vacate, copyright infringement, failure to state a claim, copyrighted, steel, pro se, default, clerk, moot, personally liable, minimum contacts, shield, lift, permission to use, responsive pleading, advertising, responded, pre-engineered, Copyright Act, Federal Rules, applicable law, unauthorized use, factual allegations, corporate capacity, reasonable inference, legal conclusion

This is an action in copyright infringement. Plaintiffs, Universal Steel Buildings, King Solomon Creative Enterprises Corp., and King David Interactive Corp. ("plaintiffs"), allege that defendants, Shore Corp. One and Bruce Shore, violated the Copyright Act, 17 U.S.C. §§ 101, et seq., through the continued and unauthorized use of plaintiffs' copyrighted photographs on various websites. [Doc. No. 1]. Universal seeks the entry of permanent injunctions, as well as statutory and compensatory damages.

**COUNSEL:** [\*1] For UNIVERSAL STEEL BUILDINGS CORP., KING SOLOMON CREATIVE ENTERPRISES CORP., KING DAVID INTERACTIVE CORP., Plaintiffs: J. Alexander Hershey, LEAD ATTORNEY, Thorp, Reed & Armstrong, LLP, Pittsburgh, PA.

Before the court are plaintiffs' motion to strike and motion for entry of default judgment as to both defendants. [Doc. Nos. 18 & 20]. Also before the court are Shore's motions to: 1) dismiss the complaint for failure to state a claim; 2) dismiss for lack of personal jurisdiction; and 3) vacate the court's June 25, 2009 order. [\*2] [Doc. Nos. 9, 13, 14 & 15].

BRUCE SHORE, Defendant, Pro se, Hollywood, FL.

**JUDGES:** Gary L. Lancaster, Chief Judge, United States District Judge.

For the reasons to follow, we will direct the clerk to lift the default against Bruce Shore, and deny all of Shore's pending motions. Furthermore, because defendant Shore Corp. One has failed to enter the appearance of an attorney as directed, the court will schedule a hearing to determine the amount and conditions of plaintiffs' motion for default judgment.

**OPINION BY:** Gary L. Lancaster

**OPINION**

*I. Factual Background*

**MEMORANDUM and ORDER**

The following factual allegations from plaintiffs' complaint are taken as true.

Plaintiffs are Pennsylvania corporations engaged in the business of promoting, marketing, and selling pre-engineered steel buildings, as well as the licensing of intellectual property, including copyrighted photographs. Their principal place of business is McKees Rocks, Pennsylvania. Defendant Shore Corp. One, apparently a competitor of Universal, is a Florida corporation with its principal place of business in Hollywood, Florida. Defendant Bruce Shore is an officer and shareholder of that corporation.

Plaintiffs allege that defendants had "nonexclusive and revocable temporary permission" to use certain of its copyrighted photographs depicting both rigid and arch framed pre-engineered steel buildings. Defendants [\*3] used these images on eBay.com and their Spanish and English-language websites, from which they sold pre-engineered steel buildings.

In February 2007, plaintiffs sent a letter to defendants withdrawing their nonexclusive and temporary permission to use plaintiffs' copyrighted images. Defendants responded by taking the images off of some websites, but transferred them to others. Plaintiffs sent another letter in May 2007 demanding that defendants cease using their copyrighted images. Despite this, defendants continued to use the photographs for commercial purposes on both Spanish and English-language websites that they control. In total, defendants have used at least 40 copyrighted images without plaintiffs' permission.

## II. Procedural background

In May 2009, Plaintiffs filed a complaint in this court, alleging that defendants violated the Copyright Act by the continued and unauthorized use of its copyrighted photographs. [Doc. No. 1]. They requested statutory damages, attorney fees, and injunctive relief. Defendant Shore, proceeding *pro se*, responded with a one-page document on behalf of both defendants that failed to deny plaintiffs' claims. [Doc. No. 6]. It did, however, appear to argue [\*4] that the court lacks personal jurisdiction over both defendants.

Universal responded with a motion to strike Shore's answer, arguing, *inter alia*, that a corporation cannot be represented *pro se*,<sup>1</sup> and that Shore's answer failed to conform with the Federal Rules of Civil Procedure and the local rules [Doc. No. 7]. On June 25, 2009, the court granted Universal's motion to strike, and directed defendants to: 1) obtain counsel to represent the corporate defendant and 2) file a responsive pleading in compliance with Federal Rules of Civil Procedure 8, 11, 12, and

Local Rule 7.1 within ten (10) days of the order. [Doc. No. 8].

1 See *Rhino Assocs., L.P. v. Berg Mfg. & Sales Corp.*, 531 F. Supp. 2d 652, 656 (M.D. Pa. 2007) (citing *Simbraw, Inc. v. United States*, 367 F.2d 373, 373 (3d Cir. 1966) (per curiam) (holding that "a corporation [must], to litigate its rights in a court of law, employ an attorney at law to appear for it and represent it in the court")).

On June 30, 2009, the court received a letter from Bruce Shore, reiterating his contention that the court lacked personal jurisdiction over him and his company. [Doc. No. 9]. This letter appears to have been sent before the court entered [\*5] its June 25, 2009 order granting Universal's motion to strike. On July 13, 2009, the Clerk of Court, upon Universal's request, entered default against both Shore and Shore Corp. One. [Doc No. 12]. On July 23, 2009, beyond the ten-day deadline established by the court's June 25, 2009 order, Shore filed three documents on behalf of himself and the corporate defendant, asking the court to: 1) dismiss the complaint against Bruce Shore for failure to state a claim; 2) dismiss for lack of personal jurisdiction; and 3) vacate the court's order granting Universal's motion to strike as fundamentally unfair. [Doc. Nos. 13, 14 and 15]. Universal subsequently filed a motion to strike Shore's filings as to the corporate defendant because it was not represented by counsel, and a motion for default judgment against the corporate defendant and Shore as an individual. [Doc. Nos. 18 & 20].

On January 26, 2010, the court entered an order holding all motions in abeyance, and directing defendant Shore Corp. One, through an attorney, to file a responsive pleading within twenty-one (21) days. [Doc. No. 30]. Failure to comply with the order would result in entry of default judgment against the corporate defendant. [\*6] Neither defendant has filed a response. As a result, the court will set a date for a hearing to set the damages and conditions of plaintiffs' motion for default judgment [Doc. No. 20] as to defendant Shore Corp. One.

We now address the matters raised by defendant Bruce Shore. For the reasons that follow, the court will direct the Clerk of Court to lift the default against defendant Bruce Shore. We will deny his motions to dismiss the complaint for failure to state a claim and for lack of personal jurisdiction. [Doc. Nos. 9, 13 and 15]. Defendant Bruce Shore will be ordered to file an answer the complaint within twenty-one (21) days of the date of this order. In light of the court's order, defendant's motion to vacate and plaintiffs' motion to strike [Doc. Nos. 14 & 18] are moot.

### III. Discussion

#### A. Failure to state a claim

Shore has filed two documents that could be construed as motions to dismiss for failure to state a claim [Doc. Nos. 13 and 15]. The court will consider these together as one motion.<sup>2</sup> In considering a Rule 12(b) (6) motion, we must be mindful that federal courts require notice pleading, as opposed to the heightened standard of fact pleading. Federal Rule of Civil Procedure 8(a) (2) [\*7] requires only "a short and plain statement of the claim showing that the pleader is entitled to relief," in order to 'give the defendant fair notice of what the . . . claim is and the grounds on which it rests.'" Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007) (quoting Conley v. Gibson, 355 U.S. 41, 47, 78 S. Ct. 99, 2 L. Ed. 2d 80 (1957)).

<sup>2</sup> The court notes that Shore's motions were filed beyond the ten-day limit established by the court's June 25, 2009 order. However, the court will consider them timely because of his pro se status and his inability to receive electronic notification of filings through the court's CM/ECF system.

To survive a motion to dismiss, a complaint must contain sufficient facts that, if accepted as true, state "a claim to relief that is plausible on its face." Ashcroft v. Iqbal, 129 S.Ct. 1937, 1949, 173 L. Ed. 2d 868 (2009); (quoting Twombly, 550 U.S. at 570)). A claim has facial plausibility when the plaintiff pleads facts that allow the court to "draw the reasonable inference that the defendant is liable for the misconduct alleged." *Id.* However, the court is "not bound to accept as true a legal conclusion couched as a factual allegation." Iqbal, 129 S.Ct. at 1950 (quoting Twombly, 550 U.S. at 555); [\*8] *see also* Fowler v. UPMC Shadyside, 578 F.3d 203, 210 (3d Cir. 2009).

Therefore, when deciding a motion to dismiss under Rule 12(b) (6), we apply the following rules. The facts alleged in the complaint, but not the legal conclusions, must be taken as true and all reasonable inferences must be drawn in favor of plaintiff. Iqbal, 129 S.Ct. at 1949; Twombly, 550 U.S. at 555. We may not dismiss a complaint merely because it appears unlikely or improbable that plaintiff can prove the facts alleged or will ultimately prevail on the merits. Twombly, 550 U.S. at 556, 563 n.8. Instead, we must ask whether the facts alleged raise a reasonable expectation that discovery will reveal evidence of the necessary elements. *Id.* at 556. In the end, if, in view of the facts alleged, it can be reasonably conceived that the plaintiff could, upon a trial, establish a case that would entitle him to relief, the motion to dismiss should not be granted. *Id.* at 563 n.8.

Furthermore, in light of Shore's *pro se* status, we "must 'liberally construe his pleadings, and . . . apply the applicable law, irrespective of whether the pro se litigant has mentioned it by name.'" Bush v. City of Philadelphia, 367 F. Supp. 2d 722, 725 (E.D. Pa. 2005) [\*9] (quoting Duhos v. Strasberg, 321 F.3d 365, 369 (3d Cir. 2003)).

It is on this standard that the court has reviewed defendant's motions. Shore first argues that the complaint must be dismissed because, without citing applicable law or statute, the corporate structure shields officers and directors from individual liability. [Doc. No. 13]. Shore argues that plaintiffs do not allege in their complaint that he acted in his individual capacity.

However, as plaintiffs note, this is a copyright infringement case, and as such, "[a]n officer or director of a corporation who knowingly participates in the infringement can be held personally liable, jointly and severally, with the corporate defendant." Columbia Pictures Indust., Inc., 749 F.2d 154, 160 (3d Cir. 1984). In their complaint, plaintiffs assert that Bruce Shore is the sole stockholder, president, vice president, secretary, and treasurer of Shore Corp. One. They allege that Shore knowingly participated in the infringing use of the photographs, and uses Shore Corp. One's corporate form to mask his personal conduct. If proven, these allegations would be enough to hold Shore personally liable on defendant's claim of copyright infringement. [\*10] As such, the motion to dismiss is denied with respect to this claim.

Shore next argues that the complaint must be dismissed because "plaintiffs' allegations . . . and claim for copyright infringement are so ambiguous and confusing that a reasonable response cannot be made thereto" and that plaintiffs have failed to state a claim for copyright infringement and for damages. [Doc. No. 15]. Shore in particular argues that defendants have failed to state "with specificity the photographs of asserted works other than referring to various websites that they claim these photographs appeared on." [Doc. No. 15].

However, a review of the complaint establishes that it is legally sufficient because it adequately alleges that Shore infringed defendants, copyright. "To establish a claim of copyright infringement, a plaintiff must establish: (1) ownership of a valid copyright; and (2) unauthorized copying of original elements of the plaintiff's work." Kay Berry Inc., v. Taylor Gifts, Inc., 421 F.3d 199, 203 (3d Cir. 2005) (citations omitted). Plaintiffs' complaint alleges that they own a copyright to certain original photographic works, and that defendants have been using those photographs without their [\*11] permission. As such, Shore's motions to dismiss are denied with respect to these claims.

#### B. Lack of personal jurisdiction

Shore next argues, in both his June 30, 2009 letter [Doc. No. 9] and motion to dismiss for failure to state a claim [Doc. No. 15], that the court lacks personal jurisdiction over him, stating: "I object to this court having any jurisdiction over my company or me. Any litigation against my company or me should be held in Broward County, Florida." [Doc. No. 9]. Shore also argues that plaintiffs have failed to state "what minimum contacts the defendant corporation had in Pennsylvania, any advertising that occurred in Pennsylvania, what date said advertising occurred and whether or not any sales were made in the state of Pennsylvania, and that maintaining a website that can be viewed throughout the United States and the world are not sufficient minimum contacts to qualify on the issue of jurisdiction and venue." [Doc. No. 15, p. 3].

We find that defendants have sufficient contacts in order to assert jurisdiction against defendants in this case. To exercise personal jurisdiction over a defendant, a federal court sitting in diversity, as here, "must undertake a two-step [\*12] inquiry: 1) the court must apply the relevant state long-arm statute to see if it permits the exercise of personal jurisdiction; 2) the court must apply the precepts of the Due Process Clause of the Constitution." *IMO Industries, Inc. v. Kiekert AG*, 155 F.3d 254, 259 (3d Cir. 1998).

The Pennsylvania long arm statute permits the courts of Pennsylvania to exercise personal jurisdiction over nonresident defendants to the "fullest extent allowed under the Constitution of the United States . . . based on the most minimum contact with this Commonwealth allowed under the Constitution of the United States." *Provident Nat'l Bank v. California Fed. Sav. & Loan Ass'n*, 819 F.2d 434, 436 (3d Cir. 1987) (quoting 42 Pa. Cons. Stat. Ann. § 5322 (b)); see also *Dollar Sav. Bank v. First Sec. Bank, N.A.*, 746 F.2d 208, 211 (3d Cir. 1984). The Due Process Clause of the Fourteenth Amendment, however, "limits the reach of long-arm statutes so that a court may not assert personal jurisdiction over a nonresident defendant who does not have 'certain minimum contacts with [the forum] such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.'" *Gorman v. Jacobs*, 597 F. Supp.2d 541, 546 (E.D. Pa. 2009) [\*13] (quoting *Provident Nat'l Bank*, 819 F.2d at 436-37).

Despite this limitation, the Due Process clause permits courts to exercise two types of personal jurisdiction over a defendant - general and specific. See *Mellon Bank (East) PSFS, Nat'l Ass'n. v. Farino*, 960 F.2d 1217, 1221 (3d Cir. 1992). General jurisdiction is the broader of the two types, and is supported where a defendant has maintained systematic and continuous contacts with the forum state. See *Marten v. Godwin*, 499 F.3d 290, 296 (3d Cir. 2007) (citing *Helicopteros Nacionales de Colombia, S.A.*

*v. Hall*, 466 U.S. 408, 414-15, 104 S. Ct. 1868, 80 L. Ed. 2d 404 (1984)). If a party is subject to the general jurisdiction of a state, that party "can be called to answer any claim . . . regardless of whether the subject matter of the cause of action has any connection to the forum." *Mellon Bank*, 960 F.2d at 1221. Absent "continuous and systematic" contacts, plaintiff may rely on "specific jurisdiction" where the cause of action is related to or arises out of the defendant's contacts with the forum. *Miller Yacht*, 384 F.3d at 96; *IMO Industries*, 155 F.3d at 259 n.2.

Here, as already discussed, plaintiffs allege that defendant Bruce Shore directed advertising, marketing and [\*14] commercial transactions in Pennsylvania and toward Pennsylvania residents. Furthermore, defendants had contact, through phone calls, emails, direct mail, with Pennsylvania plaintiffs to obtain their permission to use the pictures at issue. The combined effect of Shore's interactive websites through which he sell goods and services and his commercial dealings with suppliers and purchasers of steel buildings located in Pennsylvania supports the Court's exercise of jurisdiction. See *L'Athene, Inc. v. Earthspring LLC*, 570 F. Supp. 2d 588, 593-94 (D.Del. 2008) (discussing Third Circuit authorities and finding personal jurisdiction over an Arizona-based retail website operator); *Endless Pools, Inc. v. Wave Tec. Pools, Inc.*, 362 F. Supp. 2d 578, 582-85 (E. D. Pa. 2005) (exercising specific jurisdiction over a Texas-based internet retailer). Furthermore, defendant's alleged copyright infringement had a foreseeable detrimental effect on plaintiff Universal Steel, a Pennsylvania company. See *Techno Corp. v. Dahl Ass'n, Inc.*, 535 F. Supp. 303, 309 (W.D. Pa. 1982) (finding that defendants "were certainly aware that [plaintiff] was a Pennsylvania corporation. Therefore, at the time these defendants [\*15] took what is alleged to be an intentional act it was clearly foreseeable that their actions would have a direct impact in Pennsylvania.").

However, even when contacts between a defendant and the forum state exist, as a general rule, "[i]ndividuals performing acts in a state in their corporate capacity 'are not subject to the personal jurisdiction of the courts of that state for those acts.'" *Nat'l Precast Crypt Co. v. Dy-Core of Pa., Inc.*, 785 F. Supp. 1186, 1191 (W.D. Pa. 1992) (quoting *Bowers v. NETI Technologies, Inc.*, 690 F. Supp. 349, 357 (E.D. Pa. 1988)). This is known as the corporate or fiduciary shield doctrine. It may be overcome in two ways: 1) a corporate agent may be held personally liable for torts done in a corporate capacity within the forum; and 2) by violating a statutory scheme that provides for personal, as well as corporate, liability. *Nat'l Precast Crypt Co.*, 785 F. Supp. at 1191. Plaintiffs allege that Shore Corp. One is Shore's alter-ego. He is the sole shareholder, president, secretary and treasurer of the corporation. As a result, he may be found personally

liable for the tortious conduct of the corporation, and therefore is not protected from jurisdiction [\*16] by the corporate shield doctrine.

In sum, the court finds that Shore maintained sufficient contacts with Pennsylvania and that Shore's claims that he is protected by the corporate shield doctrine lack merit.

#### C. Motion to vacate

Finally, Shore has filed a motion to vacate the court's June 25, 2009 order, which struck his pleadings as defective. In particular, Shore alleges the order was "fundamentally unfair." He also appears to ask for more time to file an answer to plaintiffs' complaint because "by the time defendants received the Order, more than half of the ten (10) days to comply had already expired . . . The Defendants had to research the Federal Rules of Civil Procedure referred to in the Order, in order to try to understand the Compliance Rule, so that they could file an appropriate answer to Plaintiffs' 22 page Complaint with numerous exhibits." [Doc. No. 14].

However, this motion is moot in light of today's order, which gives defendant Bruce Shore twenty-one (21) days to file a responsive pleading in compliance with Federal Rules of Civil Procedure 8, 11, 12, and Local Rule 7.1.

#### IV. Conclusion

In conclusion, the court will set a hearing date to determine the terms and conditions [\*17] of plaintiffs' motion for default judgment. The court will further direct the Clerk of Court to lift default as to defendant Bruce Shore, and deny his motions to dismiss for failure to state a claim and lack of jurisdiction. Bruce's motion to vacate and plaintiffs' motion to strike are moot. Shore will have twenty-one (21) days to answer plaintiffs' verified complaint, in compliance with Federal Rules of Civil Proce-

dure 8, 11, 12, and Local Rule 7.1. Failure to do so will result in the court entering default judgment as to Shore, individually.

An appropriate order follows.

#### ORDER

AND NOW, this 24th day of March 2010, IT IS HEREBY ORDERED that a hearing to set the damages and conditions of plaintiffs' motion for default judgment [Doc. No. 20] as to defendant Shore Corp. One shall take place on Friday, April 16, 2010 at 9:30 a.m. in Courtroom # 3A, 3rd floor, U.S. Courthouse, 7th Avenue and Grant Street, Pittsburgh, Pennsylvania.

IT IS FURTHER ORDERED that the Clerk of Court is directed to lift default as to defendant Bruce Shore. Shore's motions to dismiss for failure to state a claim and lack of personal jurisdiction are DENIED. [Doc. Nos. 9, 13 and 15]. Shore's motion to vacate and plaintiffs' [\*18] motion to strike are MOOT. [Doc. Nos. 14 and 18].

IT IS FURTHER ORDERED that defendant Bruce Shore must file an answer to plaintiffs' complaint [Doc. No. 1] within twenty-one (21) days from the date of this order, or by April 14, 2010. Shore's answer must comply with Federal Rules of Civil Procedure 8, 11, 12, and Local Rule 7.1. **NO EXTENSION OF THIS DEADLINE WILL BE GRANTED**. Failure to comply with these rules will not be excused. Should Shore fail to file an answer that complies with these rules in all respects, the court will strike the answer and consider plaintiffs' motion for default judgment as to defendant Bruce Shore at the hearing on April 16, 2010. Shore's motion to vacate and plaintiffs' motion to strike are MOOT. [Doc. Nos. 14 and 18].

BY THE COURT:

/s/ Gary L. Lancaster, C.J.