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

ROBERT JACOBSEN,

Plaintiff,

No. C 06-01905 JSW

v.

MATTHEW KATZER, and KAMIND ASSOCIATES, INC.,

Defendants.

ORDER GRANTING DEFENDANTS’ MOTION TO DISMISS; GRANTING IN PART AND DENYING IN PART DEFENDANTS’ MOTION TO STRIKE; AND DENYING PLAINTIFF’S MOTION FOR PRELIMINARY INJUNCTION

Now before the Court are the motions filed by Matthew Katzer and Kamind Associates, Inc. (“KAM”) to dismiss counts five, six and ten for failure to state a claim upon which relief can be granted pursuant to Federal Rule of Civil Procedure 12(b)(6) and to strike portions of the first amended complaint pursuant to Federal Rule of Civil Procedure 12(f). Also before the Court is Plaintiff’s motion for preliminary injunction on his copyright claim. Having carefully reviewed the parties’ papers, considered their arguments and the relevant legal authority, the Court hereby GRANTS Defendants’ motion to dismiss; GRANTS IN PART AND DENIED IN PART Defendants’ motion to strike; and DENIES Plaintiff’s motion for preliminary injunction.

BACKGROUND

Matthew Katzer is the chief executive officer and chairman of the board of directors of KAM, a software company based in Portland, Oregon that develops software for model railroad enthusiasts. The Java Model Railroad Interface (“JMRI”) Project is an on-line, open source

1 community that also develops model train software. Plaintiff, Robert Jacobsen, works for the
2 Lawrence Berkeley National Laboratory and is a professor of physics at the university, as well
3 as a model train hobbyist and a leading member of the JMRI Project.

4 According to the first amended complaint, Jacobsen contends that Defendants
5 fraudulently secured patents for their software and, despite knowing the patents were invalid
6 and unenforceable, sought to enforce the patents and collect patent royalties, and threatened
7 litigation. Jacobsen makes claims for declaratory judgment of the unenforceability and
8 invalidity of KAM’s patent, non-infringement of Jacobsen’s work, violation of the California
9 Business and Professions Code § 17200, cybersquatting in violation of 15 U.S.C. § 1125(d),
10 violation of the Lanham Act, and unjust enrichment.

11 Now before the Court is Defendants’ motion to dismiss the fifth count for unfair
12 competition under California Business and Professions Code § 17200 and the tenth count for
13 unjust enrichment arguing both that the state claims are preempted by copyright law and
14 because they independently fail to state a cause of action. Defendants move to dismiss the sixth
15 cause of action for cybersquatting for failure to join an indispensable party. Defendants also
16 move to strike certain portions of the amended complaint as irrelevant and immaterial. Lastly,
17 Plaintiff moves for preliminary injunction, seeking to have the Court enjoin Defendants from
18 willfully infringing Plaintiff’s copyrighted material.

19 **ANALYSIS**

20 **A. Matthew Katzer and Kamind Associates, Inc.’s Motion to Dismiss.**

21 **1. Legal Standard on Motion to Dismiss.**

22 A motion to dismiss is proper under Federal Rule of Civil Procedure 12(b)(6) where the
23 pleadings fail to state a claim upon which relief can be granted. A motion to dismiss should not
24 be granted unless it appears beyond a doubt that a plaintiff can show no set of facts supporting
25 his or her claim. *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957). Thus, dismissal is proper “only
26 if it is clear that no relief could be granted under any set of facts that could be proved consistent
27 with the allegations.” *Hishon v. King & Spaulding*, 467 U.S. 69, 73 (1984). The complaint is
28 construed in the light most favorable to the non-moving party and all material allegations in the

1 complaint are taken to be true. *Sanders v. Kennedy*, 794 F.2d 478, 481 (9th Cir. 1986). The
2 court, however, is not required to accept legal conclusions cast in the form of factual
3 allegations, if those conclusions cannot reasonably be drawn from the facts alleged. *Cleggy v.*
4 *Cult Awareness Network*, 18 F.3d 752, 754-55 (9th Cir. 1994) (citing *Papasan v. Allain*, 478
5 U.S. 265, 286 (1986)).

6 **2. Count Five for Unfair Competition Under § 17200.**

7 In order to make out an unfair competition claim under California law, Plaintiff must
8 have suffered an injury in fact and have lost money or property. Cal. Bus. & Prof. Code §
9 17204; *see also Californians for Disability Rights v. Mervyn's, LLC*, 39 Cal. 4th 223, 227
10 (2006) (After Proposition 64, a private person has standing to sue only if he or she “has suffered
11 injury in fact and has lost money or property as a result of such unfair competition.”). Because
12 Plaintiff alleges that he never had an expectation of compensation by making the decoder files
13 available for free on the internet, Count Five for unfair competition in violation of California
14 Business and Professions Code § 17200 is dismissed without leave to amend for lack of
15 standing.

16 **3. Count Ten for Unjust Enrichment.**

17 Under California law, a plaintiff is only entitled to recover for unjust enrichment “if the
18 circumstances are such as to warrant the inference that it was the expectation of *both parties*
19 during the time the services were rendered that the compensation should be made.” *Del Del*
20 *Madera Props. v. Rhodes & Gardner*, 820 F.2d 973, 978 (9th Cir. 1987) (citations omitted)
21 (emphasis in original). Because open source software benefits all potential licensees, this
22 benefit is not unjust as a matter of law where the software is distributed freely to anyone. *See*
23 *First Nationwide Savings v. Perry*, 11 Cal. App. 4th, 1657, 1662 (1992). In addition, unjust
24 enrichment is a theory of recovery, not an independent legal claim. *IB Melchoir v. New Line*
25 *Productions, Inc.*, 106 Cal. App. 4th 779, 793 (2003) (“[T]here is no cause of action in
26 California for unjust enrichment.”). Accordingly, Count Ten for unjust enrichment is dismissed
27 without leave to amend for failure to state a claim upon which relief can be granted.
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1 **4. State Claims, Counts Five and Ten, Are Also Preempted by Copyright Law.**

2 Although the state claims are subject to dismissal on the merits for lack of standing and
3 for failure to state a claim upon which relief can be granted, the Court also finds that the two
4 counts are preempted by federal copyright law, to the extent Plaintiff makes out a claim for
5 copyright infringement.

6 Section 301 of the Federal Copyright Act provides in pertinent part:

7 all legal or equitable rights that are equivalent to any of the exclusive rights
8 within the general scope of copyright ... are governed exclusively by this title.
9 Thereafter, no person is entitled to any such right or equivalent right in any
10 such work under the common law or statutes of any State.

11 17 U.S.C. § 301. The federal copyright preemption of overlapping state law claims is “explicit
12 and broad.” *G.S. Rasmussen & Assoc. V. Kalitta Flying Serv.*, 958 F.2d 896, 904 (9th Cir.
13 1992). Section 301 of the Copyright Act establishes a two-part test for preemption. First, the
14 claims must come within the subject matter of copyright, and (2) the rights granted under state
15 law must be equivalent to any of the exclusive rights within the general scope of copyright as
16 set forth in the Act. *Del Madera*, 820 F.2d at 976. Counts Five and Ten address the subject
17 matter that is within the subject matter of the Copyright Act as both claims deal exclusively
18 with the misappropriation of the JMRI Project decoder definition files. (*See Amended*
19 *Complaint*, ¶ 83(a) (“Katzner infringed copyrights on JMRI Project decoder definition files, in
20 violation of federal copyright laws. In doing so, Katzner took away from Jacobsen, owner and
21 assignee of the copyright, a property right – the exclusive right to reproduce, distribute, and
22 make derivative copies.”); ¶ 119 (“Katzner took JMRI Project decoder definition filed subject to
a copyright, took credit for the work and used it for his own commercial gain. Thus, he
received a benefit from Jacobsen’s copyrighted work.”).)

23 To satisfy the “equivalent rights” part of the preemption test, Plaintiff’s unfair
24 competition and unjust enrichment claims, which are predicated upon the alleged
25 misappropriation of the copyrighted work, must be equivalent to rights within the general scope
26 of copyright. *Del Madera*, 820 F.2d at 977. In other words, to survive preemption, the state
27 causes of action must protect rights which are qualitatively different from the copyright rights.
28 *Id.*, citing *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 501 F. Supp. 848, 852

1 (S.D.N.Y. 1980). The state claim must have an “extra element” which changes the nature of the
2 action. *Id.*, citing *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523, 1535 (S.D.N.Y.
3 1985).

4 The alleged misappropriation of the decoder definition files are the basis for the state
5 claims for violation of the California Business and Professions Code and for unjust enrichment.
6 The claims do not add an “extra element” which changes the nature of the action or the rights
7 secured under federal copyright protection. The unfair competition claims alleges violations of
8 the exact same exclusive federal rights protected by Section 106 of the Copyright Act, the
9 exclusive right to reproduce, distribute and make derivative copies. The unjust enrichment
10 claim is equivalent to the copyright infringement claims because the claim fails to allege the
11 bilateral expectation of compensation during the pertinent time period. *Del Madera*, 820 F.2d
12 at 978, citing 1 B. Witkin, *Summary of California Law, Contracts* § 50, at 60-61 (8th ed. 1973
13 & Supp. 1984). Because Plaintiff alleges that the JMRI Project intentionally made the decoder
14 files available for free, there was not an expectation of compensation to Jacobsen.

15 Accordingly, to the extent Plaintiff makes out a claim for copyright infringement,
16 Counts Five and Ten are preempted by federal copyright law, and are thereby dismissed on this
17 alternate basis without leave to amend.

18 **5. Count Six, Cybersquatting, is Dismissed As Moot.**

19 Defendants move to dismiss Count Six for cybersquatting from the amended complaint
20 for failure to join Jerry Britton as an indispensable party. Count Six alleges that Katzer
21 transferred the domain name to a third party, Jerry Britton, and limited his rights to transfer it to
22 anyone else, including Jacobsen. (*See Amended Complaint* ¶ 90.) In response to the Court’s
23 questions regarding the addition of Mr. Britton as an indispensable party, counsel for Plaintiff
24 contended that the cybersquatting claim is filed as an in rem action. On August 6, 2007,
25 Plaintiff submitted additional materials indicating that, pursuant to an administrative ruling by
26 the World Intellectual Property Organization arbitration panel, the domain name at issue has
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1 been transferred to Jacobsen.¹ In an in rem action under 15 U.S.C. § 1125(d), the power of the
2 court is limited to the res or property of the accused domain name and the Anti-cybersquatting
3 Act expressly limits the remedies to a court order for the forfeiture or cancellation of the
4 domain name or transfer of the domain name to the owner of the mark. *See* 15 U.S.C. §
5 1125(d)(D)(I); 4 McCarthy on Trademarks and Unfair Competition § 25:79 (4th ed. 2007). As
6 the transfer has already been adjudicated by another forum, Plaintiff’s claim for cybersquatting
7 is rendered moot and is therefore dismissed on that basis without leave to amend.²

8 **B. Motion to Strike.**

9 Federal Rule of Civil Procedure 12(f) provides that a court may “order stricken from any
10 pleading any insufficient defense or any redundant, immaterial, impertinent, or scandalous
11 matter.” Immaterial matter “is that which has no essential or important relationship to the claim
12 for relief or the defenses being pleaded.” *California Dept. of Toxic Substance Control v. ALCO*
13 *Pacific, Inc.*, 217 F. Supp. 2d 1028, 1032 (C.D. Cal. 2002) (internal citations and quotations
14 omitted). Impertinent material “consists of statements that do not pertain, or are not necessary
15 to the issues in question.” *Id.* Motions to strike are regarded with disfavor because they are
16 often used as delaying tactics and because of the limited importance of pleadings in federal
17 practice. *Colaprico v. Sun Microsystems Inc.*, 758 F. Supp 1335, 1339 (N.D. Cal. 1991). The
18 possibility that issues will be unnecessarily complicated or that superfluous pleadings will cause
19 the trier of fact to draw unwarranted inferences at trial is the type of prejudice that is sufficient
20 to support the granting of a motion to strike. *Cal. Dept. of Toxic Substances Control*, 217 F.
21 Supp. at 1028. Under Rule 12(f), courts have authority to strike a prayer for relief seeking
22 damages that are not recoverable as a matter of law. *Wells v. Board of Trustees of the Cal. State*
23 *Univ.*, 393 F. Supp. 2d 990, 994-95 (N.D. Cal. 2005); *Arcilla v. Adidas Promotional Retail*

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27 ¹ Plaintiff’s two motions for leave to file supplementary material pursuant to Civil
Local Rule 7-3(d) and motion for leave to file a sur-reply are HEREBY GRANTED.

28 ² Although Defendants originally moved additionally to dismiss Counts Eight and
Nine, they have withdrawn the motion as to those claims in their reply brief. Therefore, the
Court does not address the motion to dismiss as to Counts Eight and Nine.

1 *Operations, Inc.*, 488 F. Supp. 2d 965, 968 (C.D. Cal. 2007), citing *Tapley v. Lockwood Green*
2 *Engineers, Inc.*, 502 F.2d 559, 560 (8th Cir. 1974).

3 Defendants move to strike numerous portions of the amended complaint as immaterial.
4 The Court addresses each in turn.

5 1. Paragraphs 1-6: the Court DENIES Defendants’ motion to strike these
6 paragraphs of the amended complaint. These paragraphs are somewhat potentially relevant as
7 background information.

8 2. Footnote 14, Count 4, footnote 19, Count 7, footnote 21: the Court
9 GRANTS Defendants’ motion to strike those portions of the amended complaint in which
10 Plaintiff seeks to reserve “the right to seek the reinstatement of his antitrust claim upon review
11 of the Court’s pending written ruling.” (*See* Amended Complaint, n.19.) The Court dismissed
12 Plaintiff’s antitrust claim without leave to amend. These portions of the amended complaint are
13 stricken.

14 3. Footnote 20: the Court has granted Defendants’ motion to dismiss Count Five
15 and therefore this footnote is automatically stricken.

16 4. Paragraph 66: the Court DENIES Defendants’ motion to strike this paragraph as
17 the alleged facts, although irrelevant as the predicate for Plaintiff’s dismissed libel claim, are
18 somewhat relevant to Plaintiff’s reasonable apprehension of suit.

19 5. Footnote 17: although it is unclear how the arguments made before this Court are
20 relevant to the facts giving rise to Plaintiff’s claim, the Court DENIES Defendants’ motion to
21 strike this footnote because there are facts alleged within it that are potentially relevant.

22 6. Paragraph 105, first clause referencing 17 U.S.C. § 504 and Paragraph R of
23 prayer for relief: the Court GRANTS Defendants’ motion to strike as Plaintiff is not entitled to
24 seek damages under 17 U.S.C. § 504 considering Plaintiff registered the copyright after the
25 alleged infringement occurred. *See Polar Bear Prods. v. Timex Corp.*, 384 F.3d 700, 708 n.5
26 (9th Cir. 2004) (holding that where Plaintiff did not register its copyright before infringement, it
27 can recover only actual damages and profits under § 504(b), not statutory damages under
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1 § 504(c)); *Wells v. Board of Trustees*, 393 F. Supp. 2d at 994-95, citing *Tapley*, 502 F.2d at 560
2 (holding that court may strike damages sought that are not recoverable as a matter of law).

3 7. Paragraphs H and T in prayer for relief: there is no authority for the relief
4 requested in these portions of the prayer and the Court declines the exercise its inherent
5 discretion to award such remedies. Therefore, the Court GRANTS Defendants' motion to strike
6 paragraphs H and T in the prayer for relief.

7 8. References in paragraph 50 to Kevin Russell: paragraph 50 refers to Kevin
8 Russell as a defendant. Because the Court has dismissed Russell from this lawsuit, the Court
9 GRANTS Defendants' motion to strike references to him as a defendant in paragraph 50 of the
10 amended complaint.

11 **C. Motion for Preliminary Injunction.**

12 Plaintiff moves for preliminary injunction, seeking a court order enjoining Defendants
13 from willfully infringing Plaintiff's copyrighted material. A plaintiff is entitled to a preliminary
14 injunction when it can demonstrate either: (1) a combination of probable success on the merits
15 and the possibility of irreparable injury, or (2) the existence of serious questions going to the
16 merits, where the balance of hardships tips sharply in plaintiff's favor. *GoTo.com, Inc. v. Walt*
17 *Disney Co.*, 202 F.3d 1199, 1204-05 (9th Cir. 2000). Under federal copyright law, however, a
18 plaintiff who demonstrates a likelihood of success on the merits of a copyright claim is entitled
19 to a presumption of irreparable harm. *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d
20 1115, 1119 (9th Cir. 1999), citing *Cadence Design Systems v. Avant! Corp.*, 125 F.3d 824, 826-
21 27 (9th Cir. 1997). "That presumption means that the balance of hardships issue cannot be
22 accorded significant – if any – weight in determining whether a court should enter a preliminary
23 injunction to prevent the use of infringing material in cases where ... the plaintiff has made a
24 strong showing of likely success on the merits." *Sun*, 188 F.3d at 1119, citing *Cadence*, 125
25 F.3d at 830 (internal quotations omitted). To establish copyright infringement, a plaintiff must
26 show (1) ownership of the copyrights, and (2) copying of the protected expression by
27 Defendants. *Id.* at 1109.

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1 **1. Defendants’ Voluntary Cessation of Challenged Conduct.**

2 Although Defendants represent that they have voluntarily ceased all potentially
3 infringing activities utilizing any of the disputed material and although both parties conceded
4 that the disputed material is no longer of value (as of March 2007), the Court cannot find as a
5 matter of law that Defendants’ voluntary termination of allegedly wrongful activity renders the
6 motion for preliminary injunction moot. “Voluntary cessation of challenged conduct moots a
7 case ... only if it is *absolutely* clear that the alleged wrongful behavior would not reasonable be
8 expected to recur.” *LGS Architects, Inc. v. Concordia Homes of Nevada*, 434 F.3d 1150, 1153
9 (9th Cir. 2006), quoting *Adarand Constructors, Inc. v. Slater*, 528 U.S. 216, 222 (2000)
10 (emphasis in original). Although the Court is aware that it is altogether extremely unlikely that
11 Defendants would again utilize the disputed material, considering the data contained within it is
12 admittedly no longer of any commercial use, the Court cannot find as a matter of law that is
13 absolutely clear that the alleged behavior could not recur.

14 **2. Plaintiff’s Claim Sounds in Contract, Not Copyright.**

15 Plaintiff contends that he has a claim for copyright infringement, and has demonstrated
16 Defendants’ copying of the protected expression, and is therefore, entitled to a presumption of
17 irreparable harm. Plaintiff’s claim for copyright infringement states that Defendants, “without
18 permission or consent, has [sic] made copies, distributed copies to the public, or created
19 derivative works in violation of the exclusive rights. Defendants’ actions constitute
20 infringement of plaintiff’s copyright and exclusive rights under the Copyright Act.” (*See*
21 Amended Complaint at ¶ 100.) However, Plaintiff’s copyrighted decoder definition files are
22 subject to an open source software license that permits potential licensees, members of the
23 public who have access to the files on the internet, to make copies, distribute and create
24 derivative works from the software, provided the licensees give proper credit to the JMRI
25 Project original creators. (*See id.* at ¶¶ 2, 41; *see also* Supplemental Declaration of Robert
26 Jacobsen (“Suppl. Jacobsen Del.”), ¶ 2, Ex. A.) The license provides that potential licensees
27 “may make or give away verbatim copies of the source form ... without restriction provided that
28 [the licensee] duplicate all of the original copyright notices and associated disclaimers.” (*See*

1 Suppl. Jacobsen Decl., Ex. A.) The license further provides that the user or licensee may
2 distribute the copyrighted work “in a more-or-less customary fashion, plus [have] the right to
3 make reasonable modifications.” (*Id.*) Lastly, the license provides that the licensee “may
4 distribute [the material] in aggregate with other (possibly commercial) programs as part of a
5 larger (possibly commercial) software distribution provided that [the licensee] not advertise [the
6 material] as a product of [the licensee’s] own.” (*Id.*)

7 Based on the both the allegations in the amended complaint and the explicit language of
8 the JMRI Project’s artistic license, the Court finds that Plaintiff has chosen to distribute his
9 decoder definition files by granting the public a nonexclusive license to use, distribute and copy
10 the files. The nonexclusive license is subject to various conditions, including the licensee’s
11 proper attribution of the source of the subject files. However, implicit in a nonexclusive license
12 is the promise not to sue for copyright infringement. *See In re CFLC, Inc.*, 89 F.3d 673, 677
13 (9th Cir. 1996), citing *De Forest Radio Telephone Co. v. United States*, 273 U.S. 236, 242
14 (1927) (finding that a nonexclusive license is, in essence, a mere waiver of the right to sue the
15 licensee for infringement); *see also Effects Associates, Inc. v. Cohen*, 908 F.2d 555, 558 (9th
16 Cir. 1990) (holding that the granting of a nonexclusive license may be oral or by conduct and a
17 such a license creates a waiver of the right to sue in copyright, but not the right to sue for breach
18 of contract). Therefore, under this reasoning, Plaintiff may have a claim against Defendants for
19 breach the nonexclusive license agreement, but perhaps not a claim sounding in copyright.

20 However, merely finding that there was a license to use does not automatically preclude
21 a claim for copyright infringement. A licensee infringes the owner’s copyright where its use
22 exceeds the scope of the license. *See S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir.
23 1989), citing *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 20 (2d Cir. 1976). In *S.O.S.*,
24 the plaintiff held a copyright in a computer program and had granted defendant a licence to
25 “use” the software and had explicitly reserved all other rights. The plaintiff claimed that by
26 modifying the software the defendant had exceeded the scope of the license and therefore
27 infringed the copyright. *Id.* Here, however, the JMRI Project license provides that a user may
28 copy the files verbatim or may otherwise modify the material in any way, including as part of a

1 larger, possibly commercial software distribution. The license explicitly gives the users of the
2 material, any member of the public, “the right to use and distribute the [material] in a more-or-
3 less customary fashion, plus the right to make reasonable accommodations.” (See Suppl.
4 Jacobsen Decl., Ex. A.) The scope of the nonexclusive license is, therefore, intentionally broad.
5 The condition that the user insert a prominent notice of attribution does not limit the scope of
6 the license. Rather, Defendants’ alleged violation of the conditions of the license may have
7 constituted a breach of the nonexclusive license, but does not create liability for copyright
8 infringement where it would not otherwise exist. Therefore, based on the current record before
9 the Court, the Court finds that Plaintiff’s claim properly sounds in contract and therefore
10 Plaintiff has not met his burden of demonstrating likelihood of success on the merit of his
11 copyright claim and is therefore not entitled to a presumption of irreparable harm. See *Sun*
12 *Microsystems*, 188 F.3d at 1119. Plaintiff has not met his burden of demonstrating either a
13 combination of probable success on the merits of his copyright claim nor the existence of
14 serious questions going to the merits. See *GoTo.com*, 202 F.3d at 1204-05.

15 Accordingly, the Court DENIES Plaintiff’s motion for preliminary injunction.

16 **CONCLUSION**

17 For the foregoing reasons, the Court GRANTS Defendants’ motion to dismiss Counts
18 five, six and ten without leave to amend and GRANTS IN PART AND DENIES IN PART
19 Defendants’ motion to strike. The Court DENIES Plaintiff’s motion for preliminary injunction.

20 In order to proceed with this matter, the Court HEREBY SETS a further case
21 management conference for September 14, 2007 at 1:30 p.m. The parties shall submit a joint
22 case management conference statement by no later than September 7, 2007.

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24 **IT IS SO ORDERED.**

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26 Dated: August 17, 2007

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JEFFREY S. WHITE
UNITED STATES DISTRICT JUDGE