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7

8 **UNITED STATES DISTRICT COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA, SAN JOSE DIVISION**
10

11 JOELLE SIGNORELLI,
12 Plaintiff,
13 v.
14 NORTH COAST BREWING CO. INC., a
California Corporation, and DOES 1-10,
15 Defendants.
16

Case No. 5:18-cv-02914-EJD
**DEFENDANT'S MOTION TO DISMISS
PURSUANT TO FRCP 12(b)(6)**
Judge: The Hon. Edward J. Davila
Date: September 20, 2018
Time: 9:00 a.m.
Dept.: Courtroom 4 (5th Floor)
Trial Date: None Set

17
18 **NOTICE OF MOTION**

19 TO ALL PARTIES: Please take notice that, on September 20, 2018, at 9:00 a.m. in
20 Courtroom 4 (5th Floor) of the above court, located at 280 South 1st Street, San Jose, CA 95113,
21 Defendant North Coast Brewing Co., Inc. ("North Coast") will and hereby does move to dismiss
22 the complaint filed herein by Plaintiff Joelle Signorelli ("Plaintiff"), or, alternatively, claims
23 predicated on state law (counts two through five), as well as claims for punitive damages and
24 attorney's fees.

25 This motion is brought pursuant to Federal Rules of Civil Procedure, Rule 12(b)(6), and is
26 supported by this notice, the memorandum of points and authorities that follows, the operative
27 complaint and other relevant pleadings, matters of which this Court may take judicial notice, and
28 any other appropriate materials, authorities, and argument as may be considered by the Court.

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Thirteen years ago, North Coast hired Plaintiff's late husband, Eduardo Smissen ("Smissen"), to create a painting (the "Work") to be used for the label of a beer product now known as Brother Thelonious Abbey Ale. North Coast paid Plaintiff for his services, as well as for a license to use the Work. Now, in light of North Coast's successful marketing of the beer depicting the Work, Plaintiff wants more money from North Coast. Plaintiff claims North Coast was not permitted to display the Work in marketing efforts related to the beer, and that she may unilaterally terminate the license, as she claims she did on May 18, 2018 (*after* filing this lawsuit).

Plaintiff is mistaken: the face of the complaint admits that the Smissen license is irrevocable, and that it permits North Coast to use the Work in connection with the marketing efforts at issue. In addition, each of the four state law counts is preempted by the Copyright Act and insufficiently pled, Plaintiff's punitive damages claims are barred as a matter of law, and the purported effort to register the Work more than a decade after the initial alleged infringement mandates dismissal of the claim for attorney's fees. For the reasons set forth below, the Court should grant North Coast's motion, and Plaintiff's operative complaint (Dkt. No. 5) should be dismissed with prejudice.

II. RELEVANT PLEADINGS

According to the complaint, in October 2005, North Coast hired Smissen to develop the Work for a beer now known as Brother Thelonious Abbey Ale, in exchange for North Coast's payment of \$3,000. FAC ¶¶ 12-14. The complaint admits that this included compensation for "licensing of the [Work] for the beer label." FAC ¶ 13. By the end of 2005, the label depicting the Work began being "affixed... to bottles of Brother Thelonious Abbey Ale." FAC ¶ 17.

Plaintiff alleges that North Coast then used the Work in marketing efforts, specifically, "on various merchandising items and to promote its [beer] by way of Jazz music recordings and festivals." FAC ¶ 18. The crux of the complaint is that these marketing efforts resulted in use of the label beyond "the parties' [original] anticipation." *Id.* The complaint's attempt to plead copyright infringement is predicated entirely on these alleged unauthorized marketing efforts.

1 FAC ¶¶ 18-28 (outlining North Coast's marketing as the source of the "dispute"); see also ¶ 29
 2 (incorporating by reference these allegations into the copyright infringement count). Plaintiff
 3 admits actual knowledge of this alleged infringement by 2006 or 2007. FAC ¶¶ 18-19.

4 On February 27, 2015, Smissen passed away. FAC ¶ 7. Plaintiff, his widow, claims she is
 5 now the sole owner of Smissen's rights regarding the label design. FAC ¶ 8. Plaintiff claims she
 6 wants a "fair payment" beyond what North Coast paid 13 years ago, and she allegedly sought to
 7 register a copyright in the Work on December 28, 2017. FAC ¶ 25.

8 On May 17, 2018, Plaintiff initiated this action. She filed the operative first amended
 9 complaint on May 18. Also on May 18, Plaintiff purported to revoke North Coast's license to use
 10 the Work, insisting upon a new "merchandising agreement" that would give Plaintiff a piece of
 11 North Coast's profits from sale of its beer. FAC ¶ 26; see also *id.* ¶¶ 18-21 (claiming North
 12 Coast's successful marketing "deprived [Plaintiff] of financial value that is rightfully hers," and
 13 insisting the arrangement should be "fairer").

14 Plaintiff asserts copyright infringement under 17 U.S.C. 101, et seq. ("Copyright Act" or
 15 "Act"). FAC ¶¶ 29-36. She asserts four other claims for relief, each based on California law, but
 16 each merely "incorporates by reference" the allegations brought under the Act. FAC ¶¶ 37-40
 17 (asserting claims based in California Civil Code section 980, conversion, unjust enrichment, and
 18 breach of contract/implied covenant of good faith and fair dealing). In her prayer for relief,
 19 Plaintiff seeks, *inter alia*, punitive damages and attorney's fees. FAC ¶ 41(c)-(d).

20 **III. LEGAL STANDARD**

21 The Court should dismiss the complaint under FRCP 12(b)(6) because it fails to state facts
 22 that are "plausibly suggestive of a claim entitling the plaintiff to relief." *Moss v. U.S. Secret Serv.*,
 23 572 F.3d 962, 969 (9th Cir. 2009). A claim "has facial plausibility when the plaintiff pleads
 24 factual content that allows the court to draw the reasonable inference that the defendant is liable
 25 for the misconduct alleged." *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). However, a mere
 26 *possibility* of liability is insufficient: where an allegation is merely "*consistent* with a defendant's
 27 liability," it "stops short of the line between possibility and plausibility of entitlement to relief."
 28 *Rearden LLC v. Crystal Dynamics, Inc.*, 286 F.Supp.3d 1076, 1079 (N.D. Cal. 2018) (citing *Iqbal*,

1 556 U.S. at 678 (quotations omitted; emphasis added); accord *In re Gilead Scis. Sec. Litig.*, 536
 2 F.3d 1049, 1055 (9th Cir. 2008) (courts do not "accept as true allegations that are merely
 3 conclusory, unwarranted deductions of fact, or unreasonable inferences").

4 A Rule 12(b)(6) motion also is the proper vehicle to challenge damages that are not legally
 5 recoverable. *Opperwall v. State Farm Fire & Cas. Co.*, No. 17-CV-07083-YGR, 2018 WL
 6 1243085, at *5 (N.D. Cal. Mar. 9, 2018) (citing cases); see also *Whittlestone, Inc. v. Handi-Craft*
 7 *Co.*, 618 F.3d 970, 974 (9th Cir. 2010) (adjudication of damages claims is "better suited for a Rule
 8 12(b)(6) motion or a Rule 56 motion, not a Rule 12(f) motion").

9 **IV. ARGUMENT**

10 **A. The Complaint Admits the Existence of a Non-Exclusive License That Is** 11 **Unlimited and Irrevocable, and Which Bars This Case in Full**

12 **1. Applicable rules**

13 The Ninth Circuit resolved many of the issues presented here in the factually similar case
 14 of *Asset Mktg. Sys., Inc. v. Gagnon*, 542 F.3d 748 (9th Cir. 2008). There, an independent
 15 contractor ("Gagnon") developed software for the defendant ("AMS"), who paid for the right to
 16 use the work. *Id.* at 750. Like the case at bar, there was no express license agreement between the
 17 parties. *Id.* (a service agreement between them "mentioned nothing about a license" and expired
 18 in 2001). In 2003, Gagnon purported to revoke AMS's rights to use the software unless AMS paid
 19 him more money. *Id.* at 751. When AMS refused, and then brought an action regarding a related
 20 trade secrets dispute, Gagnon counterclaimed for copyright infringement. *Id.* at 752-54.

21 After AMS prevailed at the district level, the Ninth Circuit affirmed, holding "that AMS
 22 ha[d] an implied unlimited [non-exclusive] license," which, unlike an exclusive license, "may be
 23 granted orally or by implication." *Id.* at 754. The court addressed the three-part test for
 24 determining whether such a license exists: "(1) a person (the licensee) requests the creation of a
 25 work, (2) the creator (the licensor) makes that particular work and delivers it to the licensee who
 26 requested it,[fn] and (3) the licensor intends that the licensee-requestor copy and distribute his
 27 work." *Id.* at 754-55 (adjusting the third factor slightly for claims involving software) (citations
 28 and quotations omitted). The Court quickly dispensed with the first two factors: Gagnon

1 obviously was asked to create the work at issue, and did create and deliver it. *Id.* at 755-56.

2 Regarding intent, the Ninth Circuit stressed that the inquiry is "the licensor's objective
3 intent at the time of the creation and delivery of the [work] as manifested by the parties' conduct."
4 *Id.* at 756. The court found such intent apparent from the parties' expired service agreement and
5 other conduct, recognizing that "[c]ourts have looked to contracts, even if unexecuted, as evidence
6 of the intent of the party submitting the contract." *Id.* at 756. Critical was the fact that nothing in
7 the parties' dealings indicated any intent to limit AMS's rights to the work. *Id.* Furthermore, the
8 burden was on the *licensor* (Gagnon) "to express an intent to retain control over the programs and
9 limit AMS's license if he intended to do so. A belated statement... was not sufficient...." *Id.*

10 "Furthermore," the court held, "because AMS paid consideration, this license is
11 irrevocable." *Id.* (citing *Lulirama Ltd., Inc. v. Access Broad. Servs., Inc.*, 128 F.3d 872, 882 (5th
12 Cir.1997) and 3-10 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 10.02[B][5]
13 (2008)). This is because "[a] nonexclusive license supported by consideration is a contract." *Id.*
14 (citations and quotations omitted). The court added, "[i]f an implied license accompanied by
15 consideration were revocable at will, the contract would be illusory." *Id.* (citations omitted); see
16 also *St. Paul Plow Works v. Starling*, 140 U.S. 184, 196 (1891) ("We are of opinion that the
17 license, in the absence of a stipulation providing for its revocation, was not revocable....").

18 The same result was reached in another similar case – *Fontana v. Harra*, No. CV 12-10708
19 CAS JCGX, 2013 WL 990014 (C.D. Cal. Mar. 12, 2013). There, as here, there was no dispute
20 that the "defendants requested the creation of [the work], and [the] plaintiff created the [work] and
21 delivered it to defendants." *Id.* at *4. The court then focused on whether intent to create a license
22 was apparent on the face of the pleadings. The court cited *Asset Mktg. Sys.*, and recognized that
23 "[i]ntent to create a license exists when an author creates a work with the knowledge and intention
24 that it will be used by the licensee for a specific purpose." *Id.*

25 The court dismissed the significance, just as *Asset Mktg. Sys.* had, of another three-part test
26 used by some courts to analyze intent, which considers the parties' ongoing relationship, whether
27 the creator typically used written contracts, and other conduct. *Id.* at *6-7 (recognizing "the test
28 has limited applicability" and that "courts should not inflexibly follow" it, [i]n particular,... [the]

1 ongoing relationship" factor). The court proceeded to find that, despite alleging an ongoing
 2 business relationship, the "plaintiff has alleged facts showing that the requisite intent [to create the
 3 license] is present." *Id.* at *8. The court noted that the pleading (1) admitted an agreement
 4 whereby the defendant hired the plaintiff to create a work (there, a screenplay), in exchange for
 5 consideration, to be used in a film; yet (2) failed to explain any limitation on the defendant's use of
 6 the work. *Id.*

7 Accordingly, the court found that the plaintiff's alleged "facts unambiguously show that
 8 plaintiff wrote and delivered the script with the intent that defendants would use it to create and
 9 promote a film, and this intent gives rise to a non-exclusive license that provides defendants with a
 10 right to use the screenplay.... [R]eaching the contrary conclusion would yield an inequitable
 11 result." *Id.* (citing *Foad Consulting Grp., Inc. v. Azzalino*, 270 F.3d 821, 829, n. 12 (9th Cir.
 12 2001) (finding that licensor could not impose limitations on license since that would allow it "to
 13 hold entire projects hostage," and would be akin to a "ransom demand"))).

14 Therefore, the court found it was proper to grant the defendants' motion to dismiss.
 15 *Fontana*, 2013 WL 990014 at *9. The same result is called for here.

16 2. Applying these rules to the case at bar mandates dismissal

17 There is no doubt, based on the face of the complaint, that (1) North Coast requested
 18 Smissen create the Work, (2) Smissen created and delivered the Work to North Coast, (3) Smissen
 19 did not "express an intent to retain control over the" Work, and (4) North Coast paid consideration
 20 for the Work. FAC at ¶¶ 12-17 (detailing the underlying work, agreement, and "licensing of the
 21 [Work]," but alleging nothing regarding an intent to retain control over North Coast's use of the
 22 Work). Accordingly, North Coast has a non-exclusive license to use the Work that is unlimited
 23 and irrevocable. *Asset Mktg. Sys., Inc.*, 542 F.3d at 754-55.

24 To the extent Plaintiff disputes this outcome, such arguments fail due to the judicial
 25 admissions in the complaint. First, the relevant inquiry is as to the "licensor's objective intent at
 26 the time" of delivery, i.e., 2005 in this case. *Id.* at 756 (emphasis added); FAC at ¶ 13. However,
 27 Plaintiff claims her attitude towards the fairness of the license changed one to two years later, after
 28 seeing how well the beer performed. FAC at ¶¶ 18-20. These subsequent changed feelings are

1 both subjective, and also arise well after delivery of the licensed Work, meaning they are
2 insufficient to thwart North Coast's licensing rights.

3 Furthermore, the burden is on the licensor "to express an[y] intent" to limit the license.
4 *Asset Mktg. Sys., Inc.*, 542 F.3d at 757; *Fontana*, 2013 WL 990014 at *8 (finding that the *plaintiff*
5 "must explain... in his complaint" how he allegedly intended to limit the defendant's license).
6 There is nothing in the complaint indicating objective intent to limit North Coast's use of the Work
7 in the manner now alleged by Plaintiff, some 13 years later (tellingly, Plaintiff chose not to attach
8 to the complaint the email between Smissen and North Coast alleged at Paragraph 13 that outlines
9 the agreement). Thus, just as the licensee in *Fontana* was free to market the work, reaching a
10 contrary result here would be inequitable. *Fontana*, 2013 WL 990014 at *8.

11 The face of the complaint leaves no doubt that North Coast has an unlimited and
12 irrevocable license with respect to the Work. As the license was given without any expressed
13 intent to bar North Coast from using the Work to market the beer to which it related, the complaint
14 fails as a matter of law to state a claim upon which relief can be granted.

15 **B. North Coast Is Expressly Permitted by the Copyright Act to Use the Work in**
16 **Conjunction with Marketing Efforts**

17 While the license discussed above is sufficient to warrant dismissing this case, since the
18 complaint pleads no facts that the license barred North Coast from using the Work in the alleged
19 marketing efforts, an express provision of the Copyright Act further emphasizes that Plaintiff's
20 claims have no chance of success and that any attempt to amend them would be futile.
21 Specifically, North Coast's use of the Work in marketing efforts is expressly permitted under
22 Section 113(c) of the Copyright Act. This section provides as follows:

23 In the case of a work lawfully reproduced in useful articles that have been offered for
24 sale or other distribution to the public, copyright does not include any right to
25 prevent the making, distribution, or display of pictures or photographs of such
26 articles in connection with advertisements or commentaries related to the distribution
or display of such articles, or in connection with news reports.

27 17 U.S.C. § 113(c). In other words, if North Coast was authorized to use the Work with respect to
28 "useful articles," it may also display the Work in connection with "related" marketing efforts, i.e.,

1 "advertisements or commentaries." As the Eastern District recently recognized, "pursuant to the
 2 terms of Section 113(c), *permission* is not required for the use of an image" in connection with
 3 such advertising. *Wild v. Benchmark Pest Control, Inc.*, No. 1:15-CV-01876- JLT, 2016 WL
 4 1046925, at *4 (E.D. Cal. Mar. 16, 2016) (emphasis in original).

5 Section 101 of the Act defines a useful article as anything with "intrinsic utilitarian
 6 function that is not merely to portray the appearance of the article or to convey information," as
 7 well as "[a]n article that is normally a part of a useful article." An alcohol beverage bottle clearly
 8 fits the definition of "a useful article," as recognized by the Ninth Circuit. *Ets-Hokin v. Skyy*
 9 *Spirits, Inc.*, 225 F.3d 1068, 1080 (9th Cir. 2000).

10 Likewise, the merchandising and promotional efforts alleged in the complaint qualify as
 11 "advertisements or commentaries" as used in Section 113(c). See FAC ¶ 18. The Ninth Circuit
 12 noted that *Webster's* defines "advertising" as, *inter alia*, the act of "calling attention to or making
 13 known." *United States v. Grovo*, 826 F.3d 1207, 1217 (9th Cir. 2016) (citing *Advertisement*,
 14 *Webster's Third Int'l Dictionary* 31 (ed. Philip Babcock Grove 2002); see also
 15 ADVERTISEMENT, Black's Law Dictionary (10th ed. 2014) (advertisements are items "made
 16 with the intention of attracting clients or customers"). Depictions of a beer brand on merchandise
 17 and at events plainly functions to call attention to the beer, make it known, and/or otherwise attract
 18 customers. See also, e.g., *Net Connection LLC v. Cty. of Alameda*, No. C 13-1467 SI, 2013 WL
 19 3200640, at *9 (N.D. Cal. June 24, 2013) (referring to "branded merchandise" as a "type[] of
 20 advertising") (citing *Discount Tobacco City & Lottery, Inc. v. United States*, 674 F.3d 509 (6th
 21 Cir. 2012)). Accordingly, the gravamen of the complaint concerns "advertisements."

22 The complaint acknowledges North Coast was authorized to use the Work on its beer
 23 product. FAC ¶ 13 (North Coast paid consideration in exchange for Smissen's "licensing of the
 24 image for the beer label"). Thus, since the bottles are useful articles, the complaint admits that
 25 North Coast "lawfully reproduced [the Work] in useful articles." 17 U.S.C. § 113(c).
 26 Furthermore, since the complaint acknowledges the label is "affixed... to [the beer] bottles" it
 27 admits such labels are "normally a part of" the bottles, meaning the labels, themselves, likewise
 28 are useful articles. FAC ¶ 17 (first quote); 17 U.S.C. § 101 (second quote).

1 Accordingly, the pleadings admit that North Coast was statutorily authorized to use the
 2 Work "in connection with advertisements or commentaries related to the distribution or display
 3 of" the beer. 17 U.S.C. § 113(c). Since the gravamen of the complaint is that North Coast was not
 4 permitted to use the Work in marketing efforts related to the beer product to which it pertained, the
 5 case must be dismissed since such use was statutorily authorized.

6 This matter is remarkably similar to a case from New York's Southern District, *Major v.*
 7 *Sony Music Entm't, Inc.*, No. 92 CIV. 2826 (PKL), 1992 WL 210115 (S.D.N.Y. Aug. 17, 1992).
 8 There, like here, the defendant was contractually authorized to use the plaintiff's work (a
 9 photograph) on a useful article (the cover of a video package). *Id.* at *1. Also like the case at bar,
 10 the plaintiff there alleged that the defendant "exceeded the scope of these licenses and infringed on
 11 plaintiff's copyright by publishing the photograph in conjunction with 'an advertisement and [by
 12 using] and continu[ing] to utilize the [photograph] to advertize.'" *Id.* (citing the plaintiff's
 13 complaint; alterations in original).

14 The district court dismissed the case based on Section 113(c). The court found that the
 15 parties' agreement permitted the defendant to "lawfully reproduce[] [the work] as part of" a useful
 16 article, the video package cover, meaning "plaintiff's copyright does not include the right to
 17 'prevent... advertisements ... related to the distribution of such articles,' ... and his copyright
 18 claims must fail." *Id.* at *3 (citing 17 U.S.C. § 113(c)). Moreover, the court denied leave to
 19 amend, because it was "clear that granting leave to replead would be futile" given the absolute bar
 20 presented by section 113(c). *Id.* at *4.

21 The reasoning of the *Major* decision is instructive and highly persuasive. The factual
 22 situation here is materially indistinct: both that case, and the one at bar, involve authorized use of a
 23 work on a useful article, coupled with allegations that the defendant exceeded the scope of that
 24 authorization by using the image of the work in related advertisements. This is precisely the type
 25 of case forbidden by section 113(c). Accordingly, as in *Major*, dismissal of this case without
 26 leave to amend is warranted.

27 ///

28 ///

1 **C. The State Law Counts Should Be Dismissed Since They Are Preempted and**
 2 **Otherwise Fail to State Claims Upon Which Relief Can Be Granted.**

3 **1. Overview**

4 The Copyright Act includes a broad preemption provision: "all legal or equitable rights that
 5 are equivalent to" those provided for in the Act regarding works "fixed in a tangible medium of
 6 expression... are governed exclusively by" the Act, and "no person is entitled to any such right or
 7 equivalent right in any such work under the common law or statutes of any State." 17 U.S.C. §
 8 301(a). As such, "[s]tate laws within the general scope of federal copyright protection are
 9 preempted." *Maljack Prods., Inc. v. GoodTimes Home Video Corp.*, 81 F.3d 881, 888 (9th Cir.
 10 1996) (citing 17 U.S.C. § 301(a)).

11 As discussed below, based on preemption and many other shortcomings, each of the state
 12 law counts asserted by Plaintiff fails as a matter of law. This is particularly apparent given that
 13 each of those counts merely incorporates by reference precisely the same allegations that form the
 14 basis of Plaintiff's federal copyright claim, leaving no doubt that these state law counts seek relief
 15 that is "equivalent to" the rights provided by the federal Act.

16 **2. Civil Code section 980**

17 By its terms, California Civil Code section 980 applies only to an "original work of
 18 authorship that is *not* fixed in any tangible medium of expression." Cal. Civ. Code § 980
 19 (emphasis added). This is precisely what distinguishes section 980 from, and prevents its general
 20 preemption by, the federal Copyright Act. See *Trenton v. Infinity Broad. Corp.*, 865 F.Supp.
 21 1416, 1423 (C.D. Cal. 1994); *Maljack Prods., Inc.*, 81 F.3d at 888 ("If § 980 purported to protect
 22 [works covered by the Act], it would be preempted by federal copyright law.").

23 In this case, the complaint alleges a work fixed in a tangible medium. FAC at ¶ 13.
 24 Accordingly, in addition to being preempted, since this count purports to "incorporate by
 25 reference" the same allegations as the Copyright Act claim, the face of the complaint admits
 26 Plaintiff has no valid claim under California Civil Code section 980, which expressly does not
 27 (and cannot) extend to works not fixed in a tangible medium.

28 ///

3. Conversion

A claim "based on the alleged conversion of distribution, sale, or licensing rights... is preempted" by the Copyright Act. *Ward v. Mitchell*, No. 12-CV-3932 NC, 2013 WL 1758840, at *5 (N.D. Cal. Apr. 24, 2013). In addition, to state a valid claim for conversion in California, the plaintiff must prove "three elements: ownership or right to possession of property, wrongful disposition of the property right and damages." *G.S. Rasmussen & Assocs., Inc. v. Kalitta Flying Serv., Inc.*, 958 F.2d 896, 906 (9th Cir. 1992) (citations omitted).

Here, Plaintiff does not allege any disposition of property. Rather, Plaintiff claims North Coast's otherwise authorized use of a beer label design in related advertisements went beyond the scope of the license. Thus, the conversion count is not only preempted, since it is based on alleged misuse of licensing rights, but fails also because it does not allege any disposition of property.¹

4. Unjust enrichment/restitution

To state a claim for unjust enrichment, the plaintiff must plead an implied contract through which "one party has something which 'in equity and good conscience' it ought not." *G.S. Rasmussen & Assocs., Inc.*, 958 F.2d at 907 (citations omitted). Such a claim is preempted by the Act when "the gravamen" of the claim is misuse of copyrighted material, because then the "claims rest on the same facts, and assert the same rights, as plaintiff's copyright claim." *Shade v. Gorman*, No. C 08-3471 SI, 2009 WL 196400, at *5 (N.D. Cal. Jan. 28, 2009) (citing cases).

Here, Plaintiff has done no more than simply list the terms "unjust enrichment" and "implied contract" in the complaint, which is patently insufficient to state a valid claim. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) ("[A] plaintiff's obligation to provide the 'grounds' of his [or her] 'entitle[ment] to relief' requires more than labels and conclusions, and a formulaic

¹ If Plaintiff attempted to argue wrongful disposition of the sketches and painting, despite admitting North Coast properly purchased those, FAC ¶¶ 13-15, the claim then would fail under California's three year statute of limitations for conversion. *In re U.S. Inv'rs Co. of Am.*, 5 F. App'x 779, 780 (9th Cir. 2001) (citations omitted). The complaint admits the property was transferred in late 2005, meaning the three year statute of limitations expired more than four times over by the time the complaint was filed in May 2018.

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1 recitation of the elements of a cause of action will not do.") (Citations omitted; final alteration by
 2 Supreme Court). There is no plausible allegation for how North Coast unjustly enriched itself by,
 3 through its own effort and expense, marketing a beer and label it was authorized to use.

4 In addition, the claim for unjust enrichment is time barred. Pursuant to "Section 338(d) of
 5 the California Code of Civil Procedure... such a claim must be brought within three years of the
 6 date that the aggrieved party discovered that an unjust enrichment had occurred." *Swingless Golf
 7 Club Corp. v. Taylor*, 679 F.Supp.2d 1060, 1069 (N.D. Cal. 2009). Here, Plaintiff alleges
 8 discovery by 2006 or 2007, but did not bring suit for over 11 years. FAC at ¶¶ 18-19.
 9 Accordingly, the complaint fails to state a claim for unjust enrichment.

10 5. Contract claims

11 Finally, the complaint combines in a single count claims for breach of contract and breach
 12 of the implied covenant of good faith and fair dealing. To properly plead breach of contract,
 13 Plaintiff must allege "(1) the contract, (2) plaintiff's performance or excuse for nonperformance,
 14 (3) defendant's breach, and (4) damage to plaintiff therefrom." *Kaar v. Wells Fargo Bank, N.A.*,
 15 No. C 16-01290 WHA, 2016 WL 3068396, at *1 (N.D. Cal. June 1, 2016) (citing *Wall Street
 16 Network, Ltd. v. New York Times Co.*, 164 Cal.App.4th 1171, 1178 (2008)).

17 A claim for "breach of the implied covenant of good faith and fair dealing involves
 18 something beyond breach of the contractual duty itself." *Id.* at *2 (citing *California Shopper, Inc.
 19 v. Royal Globe Ins. Co.*, 175 Cal.App.3d 1, 54 (1985)). When a plaintiff does not plead any
 20 "separate factual claims for the breach of the implied covenant of good faith and fair dealing... [a]
 21 motion to dismiss... [should be] [g]ranted." *Id.*

22 Here, both contract claims fail. Certainly, Plaintiff has pled a contract – the non-exclusive
 23 licensing agreement for which North Coast paid consideration (that is precisely why the complaint
 24 fails as a matter of law, as discussed above). But the complaint otherwise fails entirely to plead
 25 the elements of breach of contract. Likewise, the complaint fails to plead any "separate factual
 26 claims" that are "beyond breach of the contractual duty itself," as necessary to allege breach of the
 27 implied covenant of good faith and fair dealing. *Id.* Therefore, all contract claims are
 28 insufficiently pled.

1 In addition, the contract counts are preempted. While a valid breach of contract claim will
 2 not be preempted if it legitimately pleads an element "qualitatively different" from a claim under
 3 the Act, that is not the case here. See *Media.net Advert. FZ-LLC v. NetSeer, Inc.*, 156 F.Supp.3d
 4 1052, 1072-73 (N.D. Cal. 2016) (citations omitted). Simply put, since Plaintiff merely
 5 "incorporates by reference" her copyright allegations into these contract-based counts, the latter do
 6 not allege a "qualitatively" different claim for relief. See *id.* (finding interference with contracts
 7 claims preempted by the Act).

8 Finally, the contract claims are time barred. Under California law, such claims must be
 9 brought within two years (for oral or implied contracts) or four years (for written contracts). Cal.
 10 Code. Civ. Proc. §§ 339, 337. Similarly, a claim for breach of the implied covenant of good faith
 11 and fair dealing will carry either a two or four year time period, depending on whether it sounds in
 12 tort or contract. *Fehl v. Manhattan Ins. Grp.*, No. 11-CV-02688-LHK, 2012 WL 10047, at *4
 13 (N.D. Cal. Jan. 2, 2012) (citing cases). The complaint is less than clear as to the bases of these
 14 claims, but that is irrelevant for statute of limitations purposes: these claims are time barred
 15 regardless of whether a two or four year period applies, since the alleged wrongdoing was
 16 discovered by 2006 or 2007, but suit was not filed until 2018.

17 **D. The Punitive Damages Claims Are Not Legally Authorized**

18 Even if the complaint survives, the punitive damages claims must be dismissed because
 19 they "are not available under the Copyright Act." *Reinicke v. Creative Empire, LLC*, No.
 20 12CV1405-GPC KSC, 2013 WL 275900, at *5 (S.D. Cal. Jan. 24, 2013) (citing 17 U.S.C. § 504,
 21 which authorizes actual or statutory damages, but no punitive relief) (other citations omitted). The
 22 court in *Reinicke* noted that "[n]umerous district court cases in the Ninth Circuit" are in alignment
 23 with this view. *Id.* (citing cases).

24 Likewise, no punitive damages are recoverable under any of the state law claims. As
 25 noted, each of those claims fails as a matter of law for various reasons. Even if they survived,
 26 however, punitive damages are not recoverable pursuant to California law and due to Plaintiff's
 27 conclusory allegations. *Read v. Turner*, 239 Cal.App.2d 504, 515 (1966) ("To sustain a claim to
 28 punitive damages upon these grounds [of copyright infringement under California law] it is

1 necessary that the evidence establish 'an intent to vex, annoy or injure.')" (Citations omitted);
 2 *Agape Family Worship Ctr., Inc. v. Gridiron*, No. 5:15-CV-1465-ODW-SPX, 2016 WL 633864,
 3 at *6 (C.D. Cal. Feb. 16, 2016) (dismissing punitive damages associated with conversion claim
 4 because the plaintiff failed to allege "malice, fraud, or oppression" as required by California law)
 5 (citations and quotations omitted); *Goel v. Coal. Am. Holding Co. Inc.*, No. CV 11-2349 GAF
 6 (EX), 2011 WL 13128300, at *9 (C.D. Cal. July 5, 2011) (punitive relief is not available in
 7 California for claims rooted in contract or equity).

8 The conclusory claim for punitive damages, therefore, is insufficient under California law,
 9 even if the state law counts somehow survived. For all of these reasons, the punitive damages
 10 claims should be dismissed.

11 **E. The Alleged Registration Was Not Timely, Warranting Dismissal of the**
 12 **Prayer for Attorney's Fees**

13 The prayer for attorney's fees must be dismissed under 17 U.S.C. Section 412. This
 14 section provides that a plaintiff in a copyright infringement action cannot recover statutory
 15 damages or attorney's fees for "infringement... commenced before the effective date of its
 16 registration." 17 U.S.C. § 412 (1) (as to unpublished works); see also *id.* at subpart (2) (same test
 17 for infringement of published works unless registration is completed within three months of
 18 publication).

19 When a series of infringement is alleged (as it is here), the term "commenced" in the
 20 statute means the *first* act of alleged infringement. E.g., *Johnson v. Jones*, 149 F.3d 494, 506 (6th
 21 Cir. 1998) ("Every court to consider this question has come to the same conclusion; namely, that
 22 infringement 'commences' for the purposes of § 412 when the first act in a series of acts
 23 constituting continuing infringement occurs.") (Citing cases); accord *Derek Andrew, Inc. v. Poof*
 24 *Apparel Corp.*, 528 F.3d 696, 701 (9th Cir. 2008).

25 Here, Plaintiff's claim for attorney's fees must be dismissed because the face of the
 26 complaint admits publication of the Work by approximately 2005, and alleged infringement (with
 27 actual knowledge of same) by 2006 or 2007, but Plaintiff did not even attempt to register the
 28 copyright until December 2017. FAC ¶¶ 17-19, 25. Thus, the claim for attorney's fees fails as a

1 matter of law under Section 412.²

2 **F. Leave to Amend Should Be Denied**

3 Following the granting of a Rule 12 motion, "[a] district court does not err in denying leave
4 to amend where the amendment would be futile." *Gardner v. Martino*, 563 F.3d 981, 990 (9th Cir.
5 2009) (citations omitted). Under such circumstances, "there is no need to prolong the litigation by
6 permitting further amendment." *Id.* (citations and quotations omitted).

7 Denying leave to amend is proper here. Plaintiff already amended her complaint once, as a
8 matter of course, making no meaningful effort to correct the obvious deficiencies in the pleading.
9 This suggests an inability, and/or unwillingness, to properly plead the case. More fundamental,
10 the flaws in the complaint are fatal – due to the admitted license, North Coast's statutory marketing
11 rights, preemption, and other absolute bars to liability – such that any effort to amend would be
12 futile and would serve only to needlessly prolong the litigation. See *id.*

13 **V. CONCLUSION**

14 For the reasons discussed, this case should be dismissed, without leave to amend.
15 Alternatively, individual counts and claims should be dismissed as outlined above.

17 DATED: June 22, 2018

Respectfully submitted,

WOOD, SMITH, HENNING & BERMAN LLP

20 By: /s/ Steven R. Disharoon
 STEVEN R. DISHAROON
21 Attorneys for NORTH COAST BREWING CO., INC.

28 ² For the same reason, statutory damages are precluded, but none are pled in the complaint.

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8 **UNITED STATES DISTRICT COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA, SAN JOSE DIVISION**
10

11 JOELLE SIGNORELLI,
12 Plaintiff,
13 v.
14 NORTH COAST BREWING CO. INC., a
California Corporation, and DOES 1-10,
15 Defendants.
16

Case No. 5:18-cv-02914-EJD

**DEFENDANT'S CERTIFICATION OF
INTERESTED ENTITIES OR PERSONS**

Trial Date: None Set

17
18
19 Pursuant to Federal Rule of Civil Procedure, 7.1, and Civil L.R. 3-15, the undersigned
20 certifies that as of this date, other than the named parties, North Coast has no single majority
21 shareholder, no parent company, and knows of no other entity with a financial stake in this case.
22

23 DATED: June 22, 2018

Respectfully submitted,

WOOD, SMITH, HENNING & BERMAN LLP

24
25
26 By: /s/ Steven R. Disharoon
 STEVEN R. DISHAROON
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8 **UNITED STATES DISTRICT COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA, SAN JOSE DIVISION**
10

11 JOELLE SIGNORELLI,

12 Plaintiff,

13 v.

14 NORTH COAST BREWING CO. INC., a
California Corporation, and DOES 1-10,

15 Defendants.
16

Case No. 5:18-cv-02914-EJD

**[PROPOSED] ORDER GRANTING
DEFENDANT'S MOTION TO DISMISS
PURSUANT TO FRCP 12(b)(6)**

Judge: The Hon. Edward J. Davila
Date: September 20, 2018
Time: 9:00 a.m.
Dept.: Courtroom 4 (5th Floor)

Trial Date: None Set

17
18 Defendant North Coast Brewing Co., Inc. ("North Coast") filed a motion to dismiss with
19 respect to the operative complaint filed herein by Plaintiff Joelle Signorelli ("Plaintiff") pursuant
20 to Federal Rules of Civil Procedure, Rule 12(b)(6). The Motion came on regularly for hearing on
21 September 20, 2018, at 9:00 a.m., in Courtroom 4 of the above-entitled Court. Counsel for the
22 parties appeared as is reflected in the record. After considering the parties' submissions and
23 arguments, and all other appropriate materials, and good cause appearing, the Court hereby
24 GRANTS North Coast's motion.

25 The complaint admits North Coast has a non-exclusive license, which is unlimited and
26 irrevocable, to use the alleged copyrighted work at issue ("the Work") in connection with
27 distribution of a beer product. Therefore, Plaintiff's allegations that North Coast was not permitted
28 to use the Work in related marketing efforts, and that she may revoke the license, fail as a matter

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1 of law. Moreover, 17 U.S.C. Section 113(c) expressly permits the marketing efforts alleged here.

2 In addition, each of the four counts brought under California state law is preempted and
3 suffers from other fatal pleading deficiencies. Likewise, Plaintiff's claims for punitive damages
4 and attorney's fees fail as a matter of law.

5 For all of these reasons, Plaintiff's complaint must be dismissed. Since the defects in the
6 complaint are incurable (i.e., Plaintiff cannot amend around the fact that the license is irrevocable,
7 and that the Copyright Act permits North Coast's marketing efforts, preempts the state law claims,
8 and bars punitive damages and attorney's fees under these circumstances), leave to amend is
9 denied.

10 Accordingly, North Coast's motion to dismiss is granted, and Plaintiff's complaint is
11 hereby dismissed with prejudice.

12
13 **IT IS SO ORDERED.**

14 DATED: , 2018

15
16 _____
17 The Honorable Edward J. Davila

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