

United States District Court
For the Northern District of California

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

SLEEP SCIENCE PARTNERS,

Plaintiff,

v.

AVERY LIEBERMAN and SLEEPING WELL,
LLC,

Defendants.

No. 09-04200 CW

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 DENIES it in part.

BACKGROUND

The following allegations are contained in Plaintiff's
Complaint.

Plaintiff is a California-based business which manufactures,

1 markets and sells an anti-snoring prescription mandibular
2 repositioning device (MRD) called PureSleep. An MRD is an FDA-
3 regulated medical device that may only be obtained by prescription
4 from a medical doctor or dentist. In 2005, Plaintiff's founders
5 developed a business model, the PureSleep Method, which allows
6 consumers to purchase a PureSleep device without visiting a
7 dentist. The PureSleep Method consists of, among other things, a
8 screening questionnaire, website, telephone ordering system, and
9 television commercials. Plaintiff implemented and marketed the
10 PureSleep device through the PureSleep Method.

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

21 Plaintiff alleges that Dr. Lieberman contacted Daniel and
22 Katrine Webster, Vermont residents, and told them how to use the
23 PureSleep Method to sell MRDs. Plaintiff claims that the Websters
24 ordered an MRD from its website in order to test the functionality
25 of the PureSleep device and copy the website's look and feel.
26 Plaintiff's website requires anyone who orders a product to signify
27 that he or she has read and agrees to be bound by Plaintiff's

1 "Terms and Conditions" which state, in part, "No part of this
2 website may be reproduced or transmitted." Pl.'s Compl., Ex. 1.

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

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

20 In October, 2009, Sleeping Well moved to dismiss Plaintiff's
21 claims against it for lack of personal jurisdiction. The Court
22 denied this motion, concluding that it has specific jurisdiction
23 over Sleeping Well. See generally Order of Nov. 23, 2009 Denying
24 Def.'s Mot. to Dismiss (Docket No. 23).

25 LEGAL STANDARD

26 A complaint must contain a "short and plain statement of the
27 claim showing that the pleader is entitled to relief." Fed. R.

1 Civ. P. 8(a). Dismissal under Rule 12(b)(6) for failure to state a
2 claim is appropriate only when the complaint does not give the
3 defendant fair notice of a legally cognizable claim and the grounds
4 on which it rests. Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555
5 (2007). In considering whether the complaint is sufficient to
6 state a claim, the court will take all material allegations as true
7 and construe them in the light most favorable to the plaintiff. NL
8 Indus., Inc. v. Kaplan, 792 F.2d 896, 898 (9th Cir. 1986).

9 However, this principle is inapplicable to legal conclusions;
10 "threadbare recitals of the elements of a cause of action,
11 supported by mere conclusory statements," are not taken as true.
12 Ashcroft v. Iqbal, ___ U.S. ___, 129 S. Ct. 1937, 1949-50 (2009)
13 (citing Twombly, 550 U.S. at 555).

14 DISCUSSION

15 I. Trade Dress Infringement Claim

16 "The Lanham Act was intended to make 'actionable the deceptive
17 and misleading use of marks,' and 'to protect persons engaged
18 in . . . commerce against unfair competition.'" Dastar Corp. v.
19 Twentieth Century Fox Film Corp., 539 U.S. 23, 28 (2003) (quoting
20 15 U.S.C. § 1127). The Act "prohibits actions like trademark
21 infringement that deceive consumers and impair a producer's
22 goodwill." Id. at 32. To this end, section 43(a) of the Act, 15
23 U.S.C. § 1125(a), proscribes "the use of false designations of
24 origin, false descriptions, and false representations in the
25 advertizing and sale of goods and services." Jack Russell Terrier
26 Network of N. Cal. v. Am. Kennel Club, Inc., 407 F.3d 1027, 1036
27 (9th Cir. 2005) (citing Smith v. Montoro, 648 F.2d 602, 603 (9th

1 Cir. 1981)).

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

11 A. Plaintiff's Alleged Trade Dress

12 "Trade dress protection applies to 'a combination of any
13 elements in which a product is presented to a buyer,' including the
14 shape and design of a product." Art Attacks Ink, LLC v. MGA Entm't
15 Inc., 581 F.3d 1138, 1145 (9th Cir. 2009) (quoting J. Thomas
16 McCarthy, McCarthy on Trademarks and Unfair Competition § 8:1, at
17 8-3 (4th ed. 1996)). "Trade dress involves 'the total image of a
18 product and may include features such as size, shape, color or
19 color combination, texture, graphics, or even particular sales
20 techniques.'" Mattel, Inc. v. Walking Mountain Prods., 353 F.3d
21 792, 808 n.13 (9th Cir. 2003) (quoting Two Pesos, Inc. v. Taco
22 Cabana, Inc., 505 U.S. 763, 765 n.1 (1992)). In evaluating a trade
23 dress claim, a court must not focus on individual elements, "but
24 rather on the overall visual impression that the combination and
25 arrangement of those elements create." Clicks Billiards, Inc. v.
26 Sixshooters, Inc., 251 F.3d 1252, 1259 (9th Cir. 2001). "Trade
27 dress is the composite tapestry of visual effects." Id.

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1 A plaintiff should clearly articulate its claimed trade dress
2 to give a defendant sufficient notice. See Walker & Zanger, Inc.
3 v. Paragon Indus., Inc., 549 F. Supp. 2d 1168, 1174 (N.D. Cal.
4 2007) (citing Yurman Design, Inc. v. PAJ, Inc., 262 F.2d 101, 115
5 (2d Cir. 2001)); Autodesk, Inc. v. Dassault Systemes SolidWorks
6 Corp., 2008 WL 6742224, at *5 (N.D. Cal.).

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

15 Plaintiff seeks protection of its website's "unique look and
16 feel." Compl. ¶ 84. It pleads that its website's features
17 "include (1) the ability to view SSP's television commercial;
18 (2) user testimonials; (3) the screening questionnaire; and (4) the
19 PureSleep Method." Compl. ¶ 31. It also alleges that other
20 components of the website's "design, look and feel are more subtle
21 including, but not limited to, the size and location of text, the
22 size and location of graphics, the features that it offers and the
23 location of hyperlinks of those features." Id. Plaintiff then
24 describes several other website design elements. Compl. ¶ 51.
25 Although it has cataloged several components of its website,
26 Plaintiff has not clearly articulated which of them constitute its
27 purported trade dress. Notably, Plaintiff employs language

1 suggesting that these components are only some among many, which
2 raises a question of whether it intends to redefine its trade dress
3 at a future stage of litigation. Without an adequate definition of
4 the elements comprising the website's "look and feel," Sleeping
5 Well is not given adequate notice.

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

17 Finally, concerning its television commercial,¹ Plaintiff
18 claims that it is "made up of a variety of carefully designed
19 components, including an introduction with the sound of loud
20 snoring, graphics illustrating an MRD opening a human airway and
21 user testimonials." Compl. ¶ 32. However, Plaintiff does not
22 plead sufficiently descriptive details of the graphics or any other
23 element of its television advertisement to qualify as protected
24 trade dress. As with its telephone ordering system, Plaintiff must

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

1 more clearly describe the combination of elements contained in its
2 television commercial for which it seeks trade dress protection.

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

6 B. Trade Dress Infringement and the Copyright Act

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

13 The Copyright Act protects "original works of authorship fixed
14 in any tangible medium of expression, now known or later developed,
15 from which they can be perceived, reproduced, or otherwise
16 communicated, either directly or with the aid of a machine or
17 device." 17 U.S.C. § 102(a). Protection does not extend to "any
18 idea, procedure, process, system, method of operation, concept,
19 principle, or discovery, regardless of the form in which it is
20 described, explained, illustrated, or embodied in such work." Id.
21 § 102(b).

22 Courts have "long limited application of the Lanham Act so as
23 not to encroach on copyright interests." 1 Melvin B. Nimmer &
24 David Nimmer, Nimmer on Copyright, § 1.01[D][2] (2005); see also
25 Dastar, 539 U.S. at 33 (declining to apply Lanham Act in manner
26 that would cause a "conflict with the law of copyright"). A court
27 should not "expand the scope of the Lanham Act to cover cases in
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1 which the Federal Copyright Act provides an adequate remedy." Shaw
2 v. Lindheim, 919 F.2d 1353, 1364-65 (9th Cir. 1990). "Parallel
3 claims under the Copyright Act and Lanham Act, however, are not per
4 se impermissible." Blue Nile, Inc. v. Ice.com, Inc., 478 F. Supp.
5 2d 1240, 1244 (W.D. Wash. 2007) (citing Nintendo of Am. v. Dragon
6 Pac., Int'l, 40 F.3d 1007, 1011 (9th Cir. 1994)); see also RDF
7 Media Ltd. v. Fox Broad. Co., 372 F. Supp. 2d 556, 564 (C.D. Cal.
8 2005) (stating that "trademark and copyright protection may
9 coexist," citing 1 J. Thomas McCarthy, McCarthy on Trademarks and
10 Unfair Competition § 6:5 (4th ed. 1996)).

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

21 Nevertheless, it does not follow that a trade dress
22 infringement claim based on the "look and feel" of a website must
23 fail as a matter of law. Courts have concluded that a website's
24 "look and feel" could constitute protectable trade dress that would
25 not interfere with copyright interests. See, e.g., Conference
26 Archives, Inc. v. Sound Images, Inc., ___ F. Supp. 2d ___, 2010 WL
27 1626072, at *14-*21 (W.D. Pa.); Blue Nile, 478 F. Supp. 2d at 1243.

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1 Although it has not said so explicitly, Plaintiff may have plead
2 its trade dress claim in the alternative, accounting for a
3 possibility that its website may not be copyrightable. However,
4 even if Plaintiff were to plead as its trade dress a "look and
5 feel" that does not encroach upon copyright interests, it would
6 still bear the burden of establishing the elements of a trade dress
7 infringement claim. "To prove trade dress infringement, a
8 plaintiff must demonstrate that (1) the trade dress is
9 nonfunctional, (2) the trade dress has acquired secondary meaning,
10 and (3) there is a substantial likelihood of confusion between the
11 plaintiff's and defendant's products." Art Attacks, 581 F.3d at
12 1145.

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

20 II. Copyright Infringement Claim

21 Generally, "no civil action for infringement of the copyright
22 in any United States work shall be instituted until preregistration
23 or registration of the copyright claim has been made in accordance
24 with this title." 17 U.S.C. § 411(a). The requirement for
25 preregistration or registration of the copyright is not a

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1 jurisdictional requirement.² Reed Elsevier, Inc. v. Muchnick, ___
2 U.S. ___, 130 S. Ct. 1237, 1248 (2010). Instead, it is a non-
3 jurisdictional, threshold element that a plaintiff must satisfy
4 before asserting a claim. Id.

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

16 The Family Entertainment and Copyright Act (FECA) of 2005
17 created a preregistration process for copyright. Pub. L. No. 109-
18 9, § 104, 119 Stat. 218, 221-22. "FECA was concerned, in large
19 part, with the piracy of movies and the subsequent sale and
20 distribution of illegal copies of movies." La Resolana Architects,
21 PA v. Clay Realtors Angel Fire, 416 F.3d 1195, 1207 (10th Cir.
22 2005). To this end, preregistration addresses "works being
23 prepared for commercial distribution." 17 U.S.C. § 408(f). The
24 House Judiciary Committee report on the underlying bill stated that
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26 ² Sleeping Well asserts that § 411(a) creates a jurisdictional
27 bar. However, its motion was filed before the Supreme Court's
28 decision in Reed Elsevier, Inc., which held to the contrary.

1 § 408(f)

2 expressly requires the Register of Copyrights to issue
3 regulations to establish a preregistration system for
4 copyrighted works. Since works are generally not
5 formally copyrighted until they are in final form and
6 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.

7 H.R. Rep. No. 109-33, at 4 (2005), reprinted in 2005 U.S.C.C.A.N.
8 220, 223.

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

19 Plaintiff's application for registration does not constitute
20 "preregistration" for the purposes of § 411(a). Plaintiff does not
21 argue that it applied for preregistration or that it filed an
22 Electronic Form PRE. Nor does it assert facts to suggest that the
23 website is eligible for preregistration. On the contrary,
24 Plaintiff asserts that it applied for registration of its
25 copyright. Moreover, it has already published the website on the
26 Internet and made it available to the public. Although an
27 application for preregistration and payment of a fee could accord

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1 jurisdiction, an application for registration does not.

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

6 III. Claim for Tortious Interference with Contract

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

10 "To recover in tort for intentional interference with the
11 performance of a contract, a plaintiff must prove: (1) a valid
12 contract between plaintiff and another party; (2) defendant's
13 knowledge of the contract; (3) defendant's intentional acts
14 designed to induce a breach or disruption of the contractual
15 relationship; (4) actual breach or disruption of the contractual
16 relationship; and (5) resulting damage." Applied Equip. Corp. v.
17 Litton Saudi Arabia Ltd., 7 Cal. 4th 503, 514 n.5 (1994) (citing
18 Pac. Gas & Elec. Co. v. Bear Stearns & Co., 50 Cal. 3d 1118, 1126
19 (1990)). The "tort cause of action for interference with a
20 contract does not lie against a party to the contract." Applied
21 Equip. Corp., 7 Cal. 4th at 514 (citations omitted).

22 In its complaint, Plaintiff alleges that Sleeping Well induced
23 its "employees or agents who have used SSP's website" to breach the
24 site's "Terms and Conditions." Compl. ¶ 127. In its opposition,
25 Plaintiff asserts that "a third party entered into the Terms and
26 Conditions of SSP's website, and SW then encouraged that third
27 party -- their web developers -- to breach SSP's website

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1 agreement." Opp'n at 10. Plaintiff then argues that it alleges
2 tort liability based on Sleeping Well's claimed interference with
3 the non-disclosure agreement between Dr. Lieberman and Plaintiff,
4 even though this theory is not explicitly raised in its Complaint.
5 Plaintiff, appearing to concede that its pleadings are not clear,
6 "requests leave to more fully articulate" its claim. Opp'n at 10-
7 11.

8 Based on its Complaint, Plaintiff's tortious interference
9 claim fails. Plaintiff avers that Sleeping Well "intentionally and
10 knowingly induced their employees and/or agents to access
11 www.puresleep.com in order to copy SSP's intellectual
12 property" Compl. ¶ 125. If this were so, then Sleeping
13 Well's employees and agents³ accessed the website and assented to
14 the Terms and Conditions for the benefit of Sleeping Well. This
15 conduct would make Sleeping Well a party to the Terms and
16 Conditions. Am. Builders Ass'n v. Au-Yang, 226 Cal. App. 3d 170,
17 176 (1990) ("A contract made by an agent for an undisclosed
18 principal is for most purposes the contract of the
19 principal, . . .") (quoting Bank of Am. v. State Bd. of
20 Equalization, 209 Cal. App. 2d 780, 796 (1962)). Assuming that the
21 Terms and Conditions constitute a contract, Sleeping Well cannot be
22 held liable for tortiously interfering with it.

23 Accordingly, Plaintiff's tortious interference with contract
24 claim is dismissed with leave to amend. Should Plaintiff amend its

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

1 pleadings, it may not allege facts that are inconsistent with those
2 alleged in the current Complaint.

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

5 Sleeping Well contends that the Copyright Act and California's
6 Uniform Trade Secrets Act (CUTSA) preempt Plaintiff's claims for
7 common law misappropriation of its intellectual property, statutory
8 and common law unfair competition and common law unjust enrichment.
9 Alternatively, Sleeping Well asserts that Plaintiff has not
10 sufficiently plead its unfair competition and unjust enrichment
11 claims.

12 A. Preemption

13 1. Copyright Act

14 Two conditions must be satisfied for the Copyright Act to
15 preempt state law: (1) "the content of the protected right must
16 fall within the subject matter of copyright as described in 17
17 U.S.C. §§ 102 and 103" and (2) "the right asserted under state
18 law must be equivalent to the exclusive rights contained in section
19 106 of the Copyright Act.'" Sybersound Records, Inc. v. UAV Corp.,
20 517 F.3d 1137, 1150 (9th Cir. 2008) (quoting Downing & Abercrombie
21 & Fitch, 265 F.3d 994, 1003 (9th Cir. 2001)).

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

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

1 nature of the action.

2 Laws v. Sony Music Entm't, Inc., 448 F.3d 1134, 1143 (9th Cir.
3 2006) (quoting Del Madera Props. v. Rhodes & Gardner, 820 F.2d 973
4 (9th Cir. 1987)).

5 2. CUTSA

6 California's legislature enacted CUTSA in 1984 "to provide
7 unitary definitions of trade secret and trade secret
8 misappropriation, and a single statute of limitations for the
9 various property, quasi-contractual, and violation of fiduciary
10 relationship theories of noncontractual liability utilized at
11 common law." Am. Credit Indem. Co. v. Sacks, 213 Cal. App. 3d 622,
12 630 (1989) (internal quotation marks omitted). It defines a "trade
13 secret" as:

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

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

20 (2) Is the subject of efforts that are reasonable
21 under the circumstances to maintain its secrecy.

22 Cal. Civ. Code § 3426.1(d).

23 "CUTSA preempts common law claims that are based on
24 misappropriation of a trade secret." Ali v. Fasteners for Retail,
25 Inc., 544 F. Supp. 2d 1064, 1070 (E.D. Cal. 2008) (internal
26 quotation marks omitted). However, CUTSA exempts certain claims
27 from the scope of its preemption: it "does not affect
28 (1) contractual remedies, whether or not based upon
misappropriation of a trade secret, (2) other civil remedies that

1 are not based upon misappropriation of a trade secret, or
2 (3) criminal remedies, whether or not based upon misappropriation
3 of a trade secret." Cal. Civ. Code § 3426.7(b).

4 "Courts have held that where a claim is based on the
5 'identical nucleus' of facts as a trade secrets misappropriation
6 claim, it is preempted by [C]UTSA." Silicon Image, Inc., 2007 WL
7 1455903, at *9 (N.D. Cal.). "The preemption inquiry for those
8 causes of action not specifically exempted by § 3426.7(b) focuses
9 on whether other claims are no more than a restatement of the same
10 operative facts supporting trade secret misappropriation. . . . If
11 there is no material distinction between the wrongdoing alleged in
12 a [C]UTSA claim and that alleged in a different claim, the [C]UTSA
13 preempts the other claim." Convolve, Inc. v. Compaq Computer
14 Corp., 2006 WL 839022, at *6 (S.D.N.Y.) (applying California law).

15 B. Common Law Misappropriation Claim

16 Plaintiff alleges that Sleeping Well misappropriated "its
17 Trade Secrets, Trade Dress and other intellectual property related
18 to its Confidential Information, the PureSleep Method, the
19 puresleep.com website, telephone ordering system and television
20 commercial." Compl. ¶ 141. It also incorporates paragraphs 1-139
21 of its Complaint into its claim for misappropriation. Sleeping
22 Well contends that the Copyright Act preempts this claim to the
23 extent that it is based on the copying of elements from Plaintiff's
24 website.

25 Plaintiff's website or some its elements may fall within the
26 subject matter covered by copyright. For instance, its screening
27 questionnaire, its television commercial and its logo could fall

1 within the scope of copyright.

2 To the extent that Plaintiff's misappropriation claim rests on
3 elements covered by the Copyright Act, Plaintiff must offer an
4 "extra element" to distinguish this claim from one for copyright
5 infringement. Plaintiff analogizes its misappropriation claim to
6 one for misrepresentation, which courts have concluded avoids
7 copyright preemption. See, e.g., Silicon Image, Inc. v. Analogix
8 Semiconductor, Inc., 2007 WL 1455903, at *7-*8 (N.D. Cal.).

9 However, the torts of misappropriation and misrepresentation are
10 different: misappropriation involves a defendant taking another's
11 property for "little or no cost" and appropriating it to the
12 detriment of the plaintiff. See Hollywood Screentest of Am., Inc.
13 v. NBC Universal, Inc., 151 Cal. App. 4th 631, 650 (2007). On the
14 other hand, misrepresentation involves fraudulent conduct.
15 Plaintiff avers that Sleeping Well acquired elements of its website
16 for little or no cost and used this intellectual property to its
17 detriment. The gravamen of this claim is that Sleeping Well
18 unlawfully acquired property, which constitutes misappropriation or
19 copyright infringement, not misrepresentation.

20 Plaintiff cites Downing to argue that misappropriation claims
21 are not always preempted. However, Downing involves the
22 misappropriation of the names and likenesses of individuals, which
23 is not subject matter protected under the Copyright Act. 265 F.3d
24 at 1004-05. Thus, as to the portion of its claim directed to
25 subject matter susceptible to copyright protection, Plaintiff's
26 reliance on Downing is unavailing.

27 Plaintiff acknowledges that CUTSA preempts its
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1 misappropriation claim to the extent that it involves confidential
2 information subject to trade secret protections. Plaintiff
3 explicitly alleges in this claim that Sleeping Well misappropriated
4 its trade secrets. It is not apparent what this claim addresses
5 beyond the trade secrets implicated in Plaintiff's CUTSA claim.

6 The Court dismisses this claim with leave to amend. Plaintiff
7 must plead clearly what non-trade-secrets Sleeping Well allegedly
8 misappropriated. In addition, Plaintiff must aver what has been
9 misappropriated that is not subject to copyright protection or
10 allege a cause of action with an extra element that distinguishes
11 the rights asserted from those provided under the Copyright Act.

12 C. Statutory Unfair Competition Claim

13 California's Unfair Competition Law (UCL) prohibits any
14 "unlawful, unfair or fraudulent business act or practice." Cal.
15 Bus. & Prof. Code § 17200. The UCL incorporates other laws and
16 treats violations of those laws as unlawful business practices
17 independently actionable under state law. Chabner v. United Omaha
18 Life Ins. Co., 225 F.3d 1042, 1048 (9th Cir. 2000). Violation of
19 almost any federal, state or local law may serve as the basis for a
20 UCL claim. Saunders v. Superior Court, 27 Cal. App. 4th 832, 838-
21 39 (1994). In addition, a business practice may be "unfair or
22 fraudulent in violation of the UCL even if the practice does not
23 violate any law." Olszewski v. Scripps Health, 30 Cal. 4th 798,
24 827 (2003).

25 Plaintiff does not identify the conduct upon which its UCL
26 claim rests. It pleads that Sleeping Well's conduct is "unlawful
27 and unfair," Compl. ¶ 146, and incorporates into its UCL claim

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1 paragraphs 1-143 of the Complaint.

2 To the extent that Plaintiff brings this claim based on
3 conduct involving subject matter covered by the Copyright Act, the
4 claim is preempted if it implicates rights contained in that Act.
5 Furthermore, this claim is preempted by CUTSA to the extent that it
6 is based on the misappropriation of Plaintiffs' trade secrets.

7 Although Plaintiff's UCL claim may not be preempted in its
8 entirety, the Court nevertheless dismisses it with leave to amend.
9 Plaintiff's vague allegations fail to give Sleeping Well adequate
10 notice of the nature of any unpreempted element of this claim.
11 Plaintiff must identify the conduct of Sleeping Well that is
12 actionable under a theory of liability that applies the UCL in a
13 manner that avoids preemption. Plaintiff must specify whether the
14 conduct is unlawful -- and if so, under what law -- or if it is
15 unfair or fraudulent. If fraud is alleged, it must be plead with
16 particularity under Federal Rule of Civil Procedure 9(b).

17 D. Common Law Unfair Competition Claim

18 "The common law tort of unfair competition is generally
19 thought to be synonymous with the act of 'passing off' one's goods
20 as those of another." Bank of the W. v. Superior Court, 2 Cal. 4th
21 1254, 1263 (1992). "The tort developed as an equitable remedy
22 against the wrongful exploitation of trade names and common law
23 trademarks that were not otherwise entitled to legal protection."
24 Id. (citation omitted). The tort requires a showing of competitive
25 injury. Id. at 1264.

26 The thrust of Plaintiff's common law unfair competition claim
27 is that Sleeping Well markets its MRD in a way that suggests that

1 the product is associated with Plaintiff. Regardless of whether
2 the advertising material at issue constitutes copyright-protected
3 subject matter, this claim asserts rights separate from those
4 provided under copyright law. The unfair competition tort involves
5 "the sale of confusingly similar products, by which a person
6 exploits a competitor's reputation in the market." Id. at 1263.
7 In other words, the tort protects against competitive injury
8 resulting from others trading on a party's goodwill. This
9 sufficiently provides the "extra element" necessary to avoid
10 preemption by the Copyright Act.⁴

11 Accordingly, the Copyright Act does not preempt Plaintiff's
12 common law unfair competition claim. Nor is the claim preempted by
13 the CUTSA, to the extent that it does not implicate protected trade
14 secrets. In addition, the claim sufficiently provides Sleeping
15 Well notice of the conduct of which Plaintiff complains. The Court
16 therefore denies Sleeping Well's motion to dismiss this claim.

17 E. Unjust Enrichment Claim

18 California courts appear to be split on whether there is an
19 independent cause of action for unjust enrichment. Baggett v.
20 Hewlett-Packard Co., 582 F. Supp. 2d 1261, 1270-71 (C.D. Cal. 2007)

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22 ⁴ Sleeping Well cites Kodadek v. MTV Networks, Inc., 152 F.3d
23 1209 (9th Cir. 1998), and Motown Record Corp. v. George A. Hormel &
24 Co., 657 F. Supp. 1236, 1239-40 (C.D. Cal. 1987), to argue that the
25 Copyright Act preempts Plaintiff's unfair competition and unjust
26 enrichment claims. However, both cases addressed preemption of the
27 plaintiffs' claims under California's Unfair Competition Law, which
28 were premised on copyright violations. See Kodadek, 152 F.3d at
1212-13; Motown Records 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.

1 (applying California law). One view is that unjust enrichment is
2 not a cause of action, or even a remedy, but rather a general
3 principle, underlying various legal doctrines and remedies.
4 McBride v. Boughton, 123 Cal. App. 4th 379, 387 (2004). In
5 McBride, the court construed a "purported" unjust enrichment claim
6 as a cause of action seeking restitution. Id. There are at least
7 two potential bases for a cause of action seeking restitution:
8 (1) an alternative to breach of contract damages when the parties
9 had a contract which was procured by fraud or is unenforceable for
10 some reason; and (2) where the defendant obtained a benefit from
11 the plaintiff by fraud, duress, conversion, or similar conduct and
12 the plaintiff chooses not to sue in tort but to seek restitution on
13 a quasi-contract theory. Id. at 388. In the latter case, the law
14 implies a contract, or quasi-contract, without regard to the
15 parties' intent, to avoid unjust enrichment. Id.

16 Another view is that a cause of action for unjust enrichment
17 exists and its elements are receipt of a benefit and unjust
18 retention of the benefit at the expense of another. Lectrodryer v.
19 SeoulBank, 77 Cal. App. 4th 723, 726 (2000); First Nationwide
20 Savings v. Perry, 11 Cal. App. 4th 1657, 1662-63 (1992).

21 Plaintiff pleads that Sleeping Well has "been unjustly
22 enriched, including without limitation by unjustly retaining the
23 benefits from unauthorized use of SSP's Confidential Information,
24 Trade Secrets and Related Information." Compl. ¶ 179. As with its
25 UCL pleadings, this broad allegation encompasses a wide variety of
26 conduct and does not provide Sleeping Well with sufficient notice.

27 Because the conduct at issue in this claim is not clear, the
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1 potential preemptive effects of the Copyright Act and CUTSA are not
2 certain. To the extent that Plaintiff intends to recover on this
3 claim for subject matter within the purview of the Copyright Act,
4 it cannot do so if the alleged conduct only infringes rights
5 contained in that Act. Moreover, this claim is preempted by CUTSA
6 to the extent that it is based on Plaintiff's trade secrets.

7 The Court dismisses Plaintiff's unjust enrichment claim with
8 leave to amend because it fails to provide Sleeping Well with
9 adequate notice. Plaintiff must identify the conduct for which it
10 seeks a restitutionary remedy that is not preempted.

11 V. Civil Conspiracy Claim

12 Plaintiff alleges that Sleeping Well conspired with Dr.
13 Lieberman "for the purpose of misappropriating SSP's intellectual
14 property." Compl. ¶ 164. Sleeping Well asserts that this claim
15 fails because conspiracy does not constitute a cause of action
16 under California law. Also, citing Accuimage Diagnostics Corp. v.
17 Terarecon, Inc., 260 F. Supp. 2d 941 (N.D. Cal. 2003), Sleeping
18 Well argues that dismissal is required because Plaintiff did not
19 include its conspiracy allegations in the same section of its
20 complaint as the allegations supporting its claim for
21 misappropriation.

22 Civil conspiracy "is not a cause of action, but a legal
23 doctrine that imposes liability on persons who, although not
24 actually committing a tort themselves, share with the immediate
25 tortfeasors a common plan or design in its perpetration." Applied
26 Equipment Corp., 7 Cal. 4th at 510 (citing Wyatt v. Union Mortgage
27 Co., 24 Cal. 3d 773, 784 (1979)). "Standing alone, a conspiracy

1 does no harm and engenders no tort liability. It must be activated
2 by the commission of an actual tort." Applied Equipment Corp., 7
3 Cal. 4th at 511.

4 Although civil conspiracy is not an independent cause of
5 action, this does not warrant dismissal. The claim provides a
6 basis on which Sleeping Well and Dr. Lieberman could both be liable
7 as co-conspirators for harm resulting from their alleged
8 misappropriation of Plaintiff's intellectual property.

9 However, Plaintiff does not clearly identify the tort which
10 Sleeping Well and Dr. Lieberman conspired to commit. Plaintiff's
11 allegation that they conspired to misappropriate its intellectual
12 property could encompass, at the least, both its CUTSA and common
13 law misappropriation claims. As in Accuimage, Plaintiff has failed
14 to provide Sleeping Well with adequate notice of which torts they
15 allegedly conspired to commit.⁵ See 260 F. Supp. 2d at 947-48.
16 Accordingly, the Court dismisses Plaintiff's civil conspiracy claim
17 with leave to amend. Plaintiff must identify the tortious conduct
18 for which it seeks conspiratorial liability.

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24 ⁵ As noted above, Sleeping Well contends that Plaintiff must
25 plead its allegations of conspiracy in the sections of the
26 complaint that address the underlying tort. Although the Accuimage
27 court required such pleading, it did so only to ensure that the
28 defendants had notice of which torts were the subject of the
29 plaintiff's conspiracy allegations. 260 F. Supp. 2d at 947-48.
30 However, the court did not, as Sleeping Well suggests, set this out
31 as a formal pleading requirement for civil conspiracy claims.

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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 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,

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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 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.

1 Plaintiff may file an amended complaint addressing the
2 deficiencies detailed above within fourteen days of the date of
3 this Order. If Plaintiff does so, Defendants may file a motion to
4 dismiss three weeks thereafter, with Plaintiff's opposition due two
5 weeks following and Defendants' reply due one week after that.

6 IT IS SO ORDERED.

7 Dated: May 10, 2010



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CLAUDIA WILKEN
United States District Judge

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