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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

OYSTER SOFTWARE, INC.,  
Plaintiff,  
v.  
FORMS PROCESSING, INC., ET AL.,  
Defendants.

No. C-00-0724 JCS

**AMENDED ORDER GRANTING IN PART  
AND DENYING IN PART DEFENDANT  
FORMS PROCESSING, INC.’S MOTION  
FOR PARTIAL SUMMARY JUDGMENT**

This Court’s November 13, 2001 Order Granting in Part and Denying in Part Defendant Forms Processing, Inc.’s Motion for Partial Summary Judgment, is amended to include one line of text inadvertently omitted from page 19, line 28, of that Order.<sup>1</sup>

Defendant Forms Processing, Inc.’s Motion For Partial Summary Judgment [Docket No. 108] came on for hearing on Friday, October 26, 2001, at 9:30 a.m. For the reasons stated below, Defendant’s motion is GRANTED in part and DENIED in part.

**I. INTRODUCTION**

Plaintiff in this action, Oyster Software, Inc. (“Oyster”), alleges that Defendant Forms Processing, Inc. (“FPI”) infringed upon its trademarks and copyright by copying metatags from Oyster’s web site and using them in FPI’s web site. Defendant FPI brings a motion for partial summary judgment on the ground that Plaintiff has failed to raise a genuine issue of material fact with respect to damages resulting from Defendant’s alleged infringement.

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<sup>1</sup> The missing line of text is now found on page 19, line 23.

1 **II. BACKGROUND**

2 **A. Facts<sup>2</sup>**

3 Oyster was founded in February of 1996. Deposition of Barry Bhangoo (“Bhangoo Depo.”)  
4 at A-9, Exh. A to Declaration of Elise Vasquez in Support of Defendant Forms Processing, Inc.’s  
5 Motion For Partial Summary Judgment (“Vasquez Decl.”). Oyster “develops software products for  
6 customers to process electronic or paper documents, using imaging system technologies to capture  
7 data contained in the documents . . . process the data, and store it in electronic form.” Declaration of  
8 Barry Bhangoo in Opposition to Defendant Form Processing, Inc.’s Motion For Partial Summary  
9 Judgment (“Bhangoo Decl.”) at ¶ 2. Oyster offers its customers both custom-built and “off-the-  
10 shelf” systems. *Id.* Between February and April of 1996, Oyster created and registered its web site,  
11 www.Oystersoftware.com. Bhangoo Depo. at A4, Exh. A to Vasquez. Decl.

12 Oyster was founded by Barry Bhangoo. Prior to forming Oyster, Bhangoo worked at  
13 Teknekron Customer Information Solutions (“Teknekron”), until that company stopped doing  
14 business, in January of 1996. Bhangoo Depo. at A-9, Exh. A to Vasquez Decl. While at Teknekron,  
15 Bhangoo was involved in the development of a software system called FormsPro. Bhangoo Decl. at  
16 ¶ 3. FormsPro was registered by Teknekron as a trademark on February 6, 1996, and transferred by  
17 assignment to Oyster on August 12, 1997. Bhangoo Decl. at ¶ 5. Oyster’s first two customers,  
18 Fingerhut Corporation and Maritz Marketing Corporation, were acquired by Oyster between  
19 February and April of 1996 and were former customers of Teknekron. Bhangoo Depo. at A7-A8,  
20 A11-A12, Exh. A to Vasquez Decl.

21 Defendant FPI is a Florida corporation which offers document management services. Expert  
22 Report of Dr. Gordon C. Rausser (“Rausser Report”) at B6, Exh. B to Vasquez Decl. In November

23 //

24 \_\_\_\_\_  
25 <sup>2</sup> In summarizing the facts, the Court has relied upon undisputed facts whenever possible.  
26 Where the facts are in dispute, the Court has drawn all inferences in favor of Plaintiff. *See Yartzoff v.*  
27 *Thomas*, 809 F.2d 1371, 1373 (9th Cir. 1987) (holding that on summary judgment court must view the  
28 evidence and the inferences from that evidence in the light most favorable to the nonmoving party).  
With the exception of the objections specifically addressed in this Order, the Court does not rely on any  
of the evidence to which Defendant objects in its Objections to Evidence. Therefore, the Court does not  
rule on these objections.

1 of 1999, Oyster discovered that FPI was using metatags<sup>3</sup> copied from Oyster's web site on its own  
2 web site, www.formsprocessing.com. Bhangoo Depo. at 79, Exh. H to Eisentraut Decl. Bhangoo  
3 learned FPI was using its metatags after he received a call from someone using the search engine  
4 cnet.com who had found a description of Oyster but was unable to get to Oyster's web site. *Id.*; *see*  
5 *also* Exh. F to Eisentraut Decl. (examples of infringing files).

6 On November 23, 1999, Barry Bhangoo sent an e-mail message to FPI informing it that its  
7 web site contained metatags that included Oyster's trademarked words, causing "people to find our  
8 company's description with a link to [FPI's] web site." 11/23/98 e-mail, Exh. C to Eisentraut Decl.  
9 FPI's president, Barry Matz, responded on November 24, 1998 in two e-mails to Barry Bhangoo.  
10 Exh. C to Eisentraut Decl. In the first, Matz stated that he had been "assured" by "people in the  
11 know around here" that the files containing Oyster's metatags were not FPI's. *Id.* Later in the day,  
12 Matz sent another e-mail message to Bhangoo stating that he had learned that the files were created  
13 by a company called "D.J. Distributors in Roanoke Rapid, N.C. dba Top-Ten Promotions,"<sup>4</sup> a  
14 company that FPI had hired to increase its prominence with search engines. *Id.* Matz stated that he  
15 was unaware of the pages containing Oyster's metatags until he received Bhangoo's e-mail message  
16 and that FPI had removed "all text and will continue to remove any reference that is not directly  
17 related to our specific business." *Id.*

18 **B. Complaint**

19 On March 1, 2000, Oyster brought this action against FPI and Barry Matz. On October 10,  
20 2000, Oyster filed its First Amended Complaint ("FAC"), dropping Barry Matz as a defendant and  
21 adding Top-Ten as a defendant. In the FAC, Plaintiff alleges the following claims:

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23 <sup>3</sup> Metatags are Hypertext Markup Language ("HTML") code which describe the contents of an  
24 Internet web site to a search engine. *See Brookfield Communications Inc. v. West Coast Entertainment*  
25 *Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999). There are two types of metatags: 1) "Description" metatags,  
26 which "are intended to describe the web site;" and 2) "Keyword" metatags, which are "at least in theory  
27 . . . keywords relating to the contents of the web site." *Id.* "The more often a term appears in the metatags  
28 and in the text of the web page, the more likely it is that the web page will be 'hit' in a search for that  
keyword and the higher on the list of 'hits' the web page will appear" in search engine results. *Id.*

<sup>4</sup> The record contains various references to "D.J. Distributors," "Roanoke Productions" and  
"Top-Ten Promotions." The relationship between these entities is unclear. For the purposes of this  
Motion, the Court refers to these entities collectively as "Top-Ten."

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- Claim One: Misappropriation (all defendants);
- Claim Two: Federal trademark infringement in violation of section 32 of the Lanham Act, 15 U.S.C. § 1114 (all defendants);
- Claim Three: False designations of origin, false representations, and false advertising (all defendants) in violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a);
- Claim Four: Trademark infringement and unfair competition under California Civil Code § 1770 (all defendants);
- Claim Five: Copyright infringement in violation of the Copyright Act, 17 U.S.C. § 106 *et seq.* (all defendants);
- Claim Six: Trespass (all defendants);
- Claim Seven: Conspiracy (all defendants).

Plaintiffs seek the following relief:

- 1) A declaration that Defendants’ “unauthorized conduct violates plaintiff’s rights under common law, the Copyright Act, the Lanham Act, and the California Civil Code.”
- 2) A permanent injunction enjoining defendants from infringing plaintiff’s trademarks or copyrights;
- 3) An order for an accounting of profits and damages resulting from FPI’s wrongful acts;
- 4) An award of actual or statutory damages for Defendants’ trademark and copyright infringements in an amount no less than \$1.6 million.
- 5) An award of costs and attorneys’ fees under the Lanham Act and the Copyright Act.

**C. FPI’s Motion For Partial Summary Judgment**

FPI brings a Motion for Partial Summary Judgment (the “Motion”) on the following grounds:

- 1) Oyster is not entitled to damages on its claims because it has presented no evidence that the alleged infringement caused either lost profits for Oyster or unjust enrichment by FPI;
- 2) Oyster cannot recover treble damages or attorneys’ fees on its trademark infringement claim because there is no evidence that the infringement was wilful;
- 3) Oyster’s misappropriation claim is barred;

- 1 4) Oyster does not have standing to bring a claim for unfair competition under the  
2 California Civil Code;
- 3 5) Oyster's trespass claim should be dismissed because there is no evidence of  
4 obstruction of the basic function of Oyster's computer system by FPI;
- 5 6) Oyster's claim for conspiracy should be dismissed because there is no evidence of a  
6 tortious scheme;
- 7 7) Oyster's claim for copyright infringement should be dismissed because Oyster's  
8 copyright was not registered at the time the action was brought and therefore, this  
9 Court does not have jurisdiction over Oyster's claim for copyright infringement.

10 In its Opposition, Oyster voluntarily withdraws its claims for misappropriation (claim one)  
11 and unfair business practices (claim four). In addition, at oral argument, Oyster stipulated that it had  
12 voluntarily withdrawn its false advertising claim under section 43(a) of the Lanham Act (claim  
13 three). With respect to FPI's remaining arguments, Oyster argues as follows:

- 14 1) Oyster has raised a material issue of fact with respect to both lost profits and unjust  
15 enrichment;
- 16 2) Oyster has raised a material issue of fact with respect to wilful trademark  
17 infringement and therefore its claim for treble damages and attorneys' fees should not  
18 be dismissed;
- 19 3) Oyster has presented sufficient evidence in support of its trespass claim to survive  
20 FPI's motion for summary judgment;
- 21 4) Oyster has presented sufficient evidence in support of its conspiracy claim to survive  
22 FPI's motion for summary judgment.

23 **III. ANALYSIS**

24 **A. Legal Standard on Summary Judgment**

25 \_\_\_\_\_ Rule 56 provides that summary judgment "shall be rendered forthwith if the pleadings,  
26 depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any,  
27 show that there is no genuine issue as to any material fact and that the moving party is entitled to  
28 judgment as a matter of law." Fed. R. Civ. P. 56(c). In order to prevail, a party moving for summary

1 judgment must show the absence of a genuine issue of material fact with respect to an essential  
2 element of the nonmoving party's claim, or to a defense on which the non-moving party will bear the  
3 burden of persuasion at trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986); *see also Nissan*  
4 *Fire & Marine Ins. Co. v. Fritz Cos. Inc.*, 210 F.3d 1099 (9th Cir. 2000). Once the movant has made  
5 this showing, the burden shifts to the party opposing summary judgment to designate "specific facts  
6 showing there is a genuine issue for trial." *Celotex*, 477 U.S. at 323. On summary judgment, all  
7 reasonable inferences must be drawn in favor of the non-moving party. *Id.*

## 8 **B. Remedies For Oyster's Trademark Claims**

9 FPI asserts that Oyster has not raised a material issue of fact with respect to either: 1)  
10 Oyster's lost profits caused by FPI's alleged trademark infringement; or 2) FPI's unjust enrichment  
11 resulting from the alleged infringement. The Court agrees that Oyster has failed to raise a genuine  
12 issue of material fact with respect to Oyster's lost profits. However, the Court finds sufficient  
13 evidence in the record on the issue of FPI's unjust enrichment to create a factual question with  
14 respect to Oyster's request for an accounting.<sup>5</sup>

15 The remedies available for trademark infringement include: 1) injunctive relief; 2) an  
16 accounting of the defendants' profits from the infringing conduct; 3) damages sustained by the  
17 Plaintiff; and 4) the costs of the action. 15 U.S.C. § 1114-1117. The Court addresses each below.

### 18 **1. Injunctive Relief**

19 In order to obtain injunctive relief, a plaintiff must demonstrate that there is a likelihood of  
20 confusion, that is, that "the similarity of marks is likely to confuse customers about the source of the  
21 products." *Brookfield Communications v. West Coast Entertainment*, 174 F.3d 1036, 1053 (9<sup>th</sup> Cir.  
22 1999). In determining whether there is a likelihood of confusion, courts look to the following  
23 factors: "similarity of the conflicting designations; relatedness or proximity of the two companies'  
24 products or services; strength of [the plaintiff's] mark; marketing channels used; degree of care likely  
25 to be exercised by purchasers in selecting goods; [the defendant's] intent in selecting its mark;

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27 <sup>5</sup> The Court notes, however, that it is the Court, and not the jury, that will make the ultimate  
28 determination as to whether or not an accounting is appropriate and the scope of any accounting that may  
be ordered. *See Playboy Enterprises v. Baccarat Clothing Co., Inc.*, 692 F.2d 1272, 1275 (9th Cir.  
1982).

1 evidence of actual confusion; and likelihood of expansion in product lines.” *Id.* at 1053-1054. In  
2 *Brookfield*, the alleged infringer intended to launch a web site at “moviebuff.com” which would  
3 allow users to access for free a database containing information about the entertainment industry. *Id.*  
4 at 1042. The plaintiff previously had registered a trademark for “MovieBuff,” which was described  
5 in the trademark application as computer software “providing data and information in the field of the  
6 motion picture and television industries.” *Id.* The plaintiff sought an injunction prohibiting the  
7 defendant from launching the web site. *Id.* The Ninth Circuit held that there was a likelihood of  
8 confusion because people searching for the plaintiff’s product, “MovieBuff,” were likely to find the  
9 defendant’s web site. *Id.* at 1056. The court pointed out that some people would not realize that the  
10 web site was not affiliated with the plaintiff while others would realize that they had not reached the  
11 plaintiff’s web site but would simply decide to use the database offered by the defendant instead. *Id.*

12 Here, FPI concedes that under *Brookfield*, Oyster has presented sufficient evidence to  
13 establish a material issue of fact as to “likelihood of confusion.” *See* Motion at 10-11. However,  
14 FPI asserts that Oyster’s claim for injunctive relief is moot because the infringing metatags were  
15 removed on November 24, 1999. At oral argument, Oyster responded that its claim for injunctive  
16 relief is not moot because there is a threat of future infringement.

17 Past infringement may be sufficient to demonstrate a threat of future infringement. *See*  
18 *Aluminum Extrusion Co. v. Soule Steel Co.*, 260 F. Supp. 221, 224 (C.D. Cal. 1966). FPI has not  
19 demonstrated that there is no issue of material fact as to the likelihood of future infringement.  
20 Accordingly, the Court declines to find at this stage in the proceeding that Oyster’s request for  
21 injunctive relief is moot.

## 22 2. Lost Profits

23 Where a plaintiff establishes trademark infringement, the plaintiff is entitled to an award,  
24 “subject to equitable principles, of ‘any damages sustained by the plaintiff.’” *Lindy Pen Co. v. Bic*  
25 *Pen Corp.*, 982 F.2d 1400, 1407 (9th Cir. 1993)(quoting 17 U.S.C. § 1117(a)). “Damages are  
26 typically measured by any direct injury which a plaintiff can prove, as well as any lost profits which  
27 the plaintiff would have earned but for the infringement.” *Id.*; *see also Cellularm Inc. v. Bay Alarm*,  
28 20 U.S.P.Q. 2d (BNA) 1340, 1344 (N.D. Cal. 1991) (holding that “where plaintiff seeks damages for

1 lost profits for other injuries to plaintiff's business, the burden is on the plaintiff to come forward  
2 with evidence establishing that defendant's infringing conduct caused the injuries for which the  
3 plaintiff seeks compensation.") (quoting *Harper House Inc. v. Thomas Nelson, Inc.* 889 F.2d 197,  
4 210 (9th Cir. 1989)); 5 McCarthy on Trademarks and Unfair Competition (4th Ed. 2001) §§ 30:72 -  
5 30.74. Although damages in trademark infringement actions need not be calculated with "absolute  
6 exactness," there must be a reasonable basis for calculation of damages. *Lindy Pen*, 982 F.2d at  
7 1407 (quoting *Eastman Kodak Co. v. Southern Photo Materials Co.*, 273 U.S. 359, 379 (1927)).  
8 Thus, "[m]any courts have denied a monetary award in infringement cases when damages are remote  
9 and speculative." *Id.* On the other hand, "[a]n award of lost profits for an existing business is not  
10 speculative if the business's track record supplies a basis for the award." *McClaren v. Plastic*  
11 *Industries, Inc.*, 97 F.3d 347, 356 (9th Cir.1996).

12 Oyster asserts that it has presented sufficient evidence of lost profits to create a material issue  
13 of fact. In particular, it points to the following evidence, which it asserts provides a basis for a  
14 reasonable calculation of its profits:

- 15 1) "profit forecasts based on pre- and post infringement periods;"
- 16 2) "profit rates from a competitor that offers similar services and has a similar business  
17 model, as well as actual financial results;"
- 18 3) "web-site data such as monthly hits and e-mail inquiries."

19 Opposition at 7.

20 Dr. Gordon Rausser, Oyster's expert witness, summarizes this evidence in his report, relied  
21 upon by Oyster in its Opposition. *See* Rausser Report, Exh. E to Eisentraut Decl. Based on his  
22 review of Oyster's profits, Dr. Rausser concludes that actual revenues for the third quarter of 1998 –  
23 the first quarter in which FPI allegedly used Oyster's metatags on its web site – were less than half of  
24 the amount he would have predicted. *Id.* at 9. Dr. Rausser reaches this conclusion by comparing  
25 actual revenues for the third quarter of 1998 to the average revenue for the preceding ten months. *Id.*  
26 Dr. Rausser also presents evidence in his report about the profits of a competitor in the forms  
27 processing industry, Captiva, which was founded in 1989. *Id.* According to Dr. Rausser, Captiva,  
28 announced revenues of \$18 million dollars in 1998 and announced that it expected revenues to grow



1 to \$25 to \$30 million by 1999. *Id.* Finally, Dr. Rausser pointed to evidence that the number of e-  
2 mail inquiries and “hits” it received during the period of infringement increased only slightly as  
3 compared to the pre-infringement period and shot up dramatically in the post-infringement period.  
4 *Id.* at 11-12. Dr. Rausser concludes that the lower-than-expected number of “hits” during the  
5 infringement period is the only “credible . . . explanation” for Oyster’s failure to gain new customers  
6 and therefore, that the infringement translated into lost profits. *Id.* at 6.

7 Having carefully reviewed Dr. Rausser’s report, the Court concludes that it is insufficient to  
8 create a material issue of fact concerning Oyster’s lost profits because it is entirely speculative on the  
9 issue of causation of actual damages. “As a general rule, summary judgment is inappropriate where  
10 an expert’s testimony supports the non-moving party’s case.” *Southland Sod Farms*, 108 F.3d 1134,  
11 1144 (9th Cir. 1997). However, an expert’s testimony will not defeat summary judgment if it does  
12 not support a reasonable inference on which a jury could find for the non-moving party. *Rebel Oil*  
13 *Co. Inc. v. Atlantic Richfield Co.*, 51 F3d 1421, 1435 (9th Cir. 1995) (holding in antitrust case that it  
14 would have been unreasonable for a juror to rely on the expert’s testimony to draw inference  
15 supporting liability); *see also Beighler v. Kleppe*, 633 F.2d 531, 533 (9th Cir. 1980) (holding that on  
16 summary judgment the court must decide whether a jury could “legitimately” draw a particular  
17 inference and that expert testimony is insufficient to support summary judgment if “the strongest  
18 inference to be drawn in plaintiff’s favor is that defendant’s [conduct] could possibly” give rise to  
19 liability). Thus, ““an expert’s declaration, full of assertions but empty of facts and reasons won’t get  
20 a case past a motion for summary judgment, for the judge must look behind the expert’s ultimate  
21 conclusion and analyze the adequacy of its foundation.”” *Rose v. Union Oil Co. of California*, 1999  
22 WL 51819 (N.D. Cal. 1999) (quoting *Mid-State Fertilizer v. Exchange Nat. Bank*, 877 F.2d 1333,  
23 1339 (7th Cir. 1989).

24 Here, Plaintiff’s expert concludes that Oyster experienced lost profits because of FPI’s  
25 alleged infringement without citing to any evidence that Oyster *ever* obtained a customer through its  
26 web site. Indeed, it is clear from Dr. Rausser’s report that he simply *assumes* that Oyster obtains  
27 customers through Oyster’s web site and therefore, that a decline in the number of “hits” to Oyster’s  
28 web site in 1998 actually resulted in lost profits. *See* Rausser Report at 5, Exh. E to Eisentraut Decl.

1 (“It may be *expected* that an increase in the number of visits to the web site will result in an increase  
2 in the number of e-mail inquiries generated from the web site, in turn resulting in an increase in the  
3 number of customers and Oyster’s revenues. Conversely, a reduction in the number of web hits can  
4 be *expected* to result in a smaller number of customers and lower revenue than would otherwise be  
5 obtained.”) (emphasis added).

6 The only evidence presented by Oyster on the issue of causation is the declaration of Bhangoo,  
7 in which he states “on information and belief” that two Oyster customers were obtained via the  
8 Internet. Bhangoo Decl. at ¶ 40. Bhangoo states that his “contacts” at CMDC and HealthTrac “have  
9 informed him of these facts” and provides the names of his contacts. *Id.* However, Bhangoo does not  
10 explain on what basis these individuals would have known how their companies found Oyster. At  
11 any rate, this evidence is inadmissible hearsay and does not provide a sufficient basis to create a  
12 material issue of fact on summary judgment. *See* Fed. R. Civ. P. 56(c) (requiring that affidavits  
13 supporting and opposing summary judgment must be made on the basis of personal knowledge); *see*  
14 *also Palucki v. Sears, Roebuck & Co.*, 879 F.2d 1568, 1572 (7th Cir. 1989). In addition, when the  
15 Court at oral argument expressed concern about the adequacy of the Bhangoo Declaration on the issue  
16 of causation, Plaintiff’s counsel did not suggest that any better evidence might be available, or offer to  
17 provide the Court with affidavits from the customer’s themselves. Thus, the Court can only conclude  
18 that Oyster is unable provide any admissible evidence that it has ever obtained a customer from the  
19 Internet.

20 Moreover, even if one or two of Oyster’s customers may have found Oyster through the  
21 Internet, this would be insufficient evidence upon which to base an expert opinion of causation, or to  
22 prove causation independent of an expert. *See McLaren*, 97 F.3d at 356 (holding that a “jury’s award  
23 of damages may be stricken where an assumption necessary to support that award is wholly  
24 speculative”). Oyster was only three years old at the time of the alleged infringement. It had very few  
25 customers – indeed, in Oyster’s first year of business, it had only the two customers Bhangoo  
26 obtained from his prior employer. Exh. E to Vasquez Decl. at E-4 (Oyster’s Responses to FPI’s First  
27 Set of Interrogatories). By 1999, Oyster had a total of five customers, two of which were its original  
28 customers. *Id.* at E-5. Further, in the pre-infringement period, Oyster’s revenues were derived

1 primarily from one of the two original customers, Fingerhut. *See* Deposition of Gordon C. Rausser at  
2 N-10, Exh. N to Vasquez Decl. Even if Oyster were to present admissible evidence that two  
3 customers found Oyster on the Internet, this evidence cannot, as a matter of law, establish the  
4 requisite “track record” that would provide a reasonable basis for calculating lost profits caused by  
5 FPI’s alleged infringement. *Id.* Therefore, Plaintiff’s trademark infringement claim is dismissed to  
6 the extent that Plaintiff seeks to recover lost profits.

### 7                   3.       Accounting

8                   A third form of relief available in trademark infringement cases is an accounting of the  
9 defendant’s profits. 15 U.S.C. § 1117; *see also Maier Brewing Co. v. Fleischmann Distilling Corp.*,  
10 390 F.2d 117, 120-121 (9th Cir. 1968). Because “proof of actual damage is often difficult,” courts  
11 may award an accounting of profits on a theory of unjust enrichment. *Lindy Pen*, 982 F.2d at 1407.  
12 The remedy of an accounting is considered an equitable remedy and is not automatic. *Champion*  
13 *Spark Plug Co. v. Sanders*, 331 U.S. 125, 129 (1947); *see also* 5 McCarthy § 30:59. Courts do not  
14 award an accounting unless there is some “deliberate and wilful” conduct. *Maier*, 390 F.2d at 123.  
15 Further, while a finding of wilful infringement is a prerequisite to an award of an accounting, it may  
16 not be sufficient. *George Basch Co. Inc. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1990)  
17 (citing to Restatement (Third) of Unfair Competition § 37 cmt. b). In deciding whether or not to  
18 award an accounting, the Court also may consider other factors, including: “(1) the degree of certainty  
19 that the defendant benefitted from the unlawful conduct; (2) availability and adequacy of other  
20 remedies; (3) the role of a particular defendant in effectuating the infringement; (4) plaintiff’s laches;  
21 and (5) plaintiff’s unclean hands.” *Id.*

22                   FPI argues that summary judgment should be granted on Oyster’s request for an accounting  
23 because: 1) Oyster fails to present any evidence that FPI’s conduct was wilful; and 2) there is no  
24 evidence of “actual confusion.” Opposition at 17.

#### 25                               a.       Evidence of Wilful Infringement

26                   FPI asserts that there is no issue of material fact on the question of wilfulness and therefore,  
27 Oyster is not entitled to an accounting as a matter of law. FPI relies on deposition testimony by vice  
28 president Evan Matz that he was unaware of how Top-Ten created web pages for FPI and that he

1 simply downloaded the web pages to FPI's web site when they were "zipped" to FPI, in October  
2 1998. Matz Depo. at C-5, Exh. C to Vasquez Decl., Matz Depo. at L-2 - L-4, Exh. L to Vasquez  
3 Decl.

4 Oyster, on the other hand, asserts that there is evidence of wilful infringement. First, Oyster  
5 argues that FPI's alleged infringement was wilful because in its contract with Top-Ten, FPI  
6 "assume[d] all risks and liabilities regarding the use of, inability to use or results of the use of such a  
7 product, merchandise or services." Opposition at 13 (quoting Invoice, Exh. A to Eisentraut Decl.).  
8 Second, Oyster points to evidence that FPI modified some of the files containing infringing terms on  
9 September 8, 1999, and, therefore, must have been aware of the infringing metatags.

10 The Court rejects Oyster's first argument, that the contract between FPI and Top-Ten gave rise  
11 to constructive knowledge of Top-Ten's copying of Oyster's metatags, making FPI's infringement  
12 wilful. Even assuming constructive knowledge is sufficient to establish wilful infringement, Oyster  
13 provides no support for its assertion that the broad clause contained in the contract between FPI and  
14 Top-Ten would have put FPI on notice of Top-Ten's alleged act of copying Oyster's metatags.

15 On the other hand, the evidence presented by Oyster concerning the September 8, 1999  
16 modification to two infringing files does raise a material issue of fact with respect to wilfulness. In  
17 particular, Oyster points to evidence that two of the pages that contained Oyster's metatags as of  
18 November 23, 1999, ANLPEL.HTML and ANLPEL2.HTML, were last modified on September 8,  
19 1999, after FPI had terminated its relationship with Top-Ten. *See* Bhangoo Decl. at ¶21 and Exh. H  
20 (index of FPI files with "last modified date"); *see also* November 24, 1999 e-mail from Barry  
21 Bhangoo to Barry Matz (identifying files containing infringing metatags as ANLPEL.HTML,  
22 ANLPEL2.HTML and NSWERE.HTML), Exh. C to Eisentraut Decl. In addition, while the file  
23 ANLPEL.HTML was one of the files "zipped" by Top-Ten to FPI, the file ANLPEL2.HTML was not  
24 one of these files. *See* Exh. I to Bhangoo Decl. Finally, Oyster presents evidence that at least one of  
25 the allegedly infringing files carried an Adobe Page Mill marker and that Top-Ten does not use  
26 Adobe Page Mill software. *See* Deposition of David Smith at 58-63, Exh. B to Eisentraut Decl.  
27 David Smith expressed the opinion in his deposition that the Adobe Page Mill marker could have  
28 become part of the file when it was modified. *Id.*

1           Based on this evidence, a jury might reasonably infer that FPI was aware of the infringing  
2 metatags as of September 8, 2000. Therefore, there is a material issue of fact as to whether FPI's use  
3 of Oyster's metatags was deliberate and wilful. Because Oyster has demonstrated the existence of a  
4 factual question on the issue of wilful infringement, it is inappropriate for the Court to hold, at this  
5 stage of the proceeding, that Oyster is not entitled to an accounting, as a matter of law.

6                           **b.       Actual Confusion**

7           FPI also argues that an accounting is not justified because there is no evidence of "actual  
8 confusion." FPI relies on the Second Circuit's decisions in *G.A. Mumm Champagne v. Eastern Wine*  
9 *Corp.*, 142 F.2d 499 (2d Cir. 1944) and *Perfect Fit Industries v. Acme Quilting Co.*, 618 F.2d 950 (2d  
10 Cir. 1980). However, to the extent these cases suggest that a plaintiff must show actual confusion to  
11 obtain an accounting, they are inconsistent with the approach taken by the Ninth Circuit.

12           Both *G.A. Mumm* and *Perfect Fit Industries* involved infringement claims against competitors,  
13 and in both cases the courts applied the traditional approach to accounting, that is, they assumed that  
14 an accounting was appropriate as a way of estimating the plaintiff's damages. *See. e.g. Mumm*  
15 *Champagne*, 142 F.3d at 501 (stating that "[i]t is of course true that to recover damages or profits,  
16 whether for infringement of a trademark or for unfair competition, it is necessary to show that buyers,  
17 who wished to buy the plaintiff's goods, have been actually misled into buying the defendant's"). As  
18 the court explained in *Maier*, the Ninth Circuit has rejected this traditional approach to an accounting,  
19 which allowed a plaintiff to obtain an accounting only where the defendant was a competitor on the  
20 theory that the defendant's profits provided a rough measure of plaintiff's lost profits. 390 F.2d at  
21 121; *see also* 5 *McCarthy* at § 30:59. Rather, the Ninth Circuit has adopted a broader approach under  
22 which an accounting may be awarded not only as a measure of damages suffered by the plaintiff but  
23 also on a theory of unjust enrichment to further the objective of deterrence. *Id.*

24           Under the approach taken by the Ninth Circuit, "an accounting is intended to award profits  
25 only on sales that are attributable to the infringing conduct." *Lindy Pen*, 982 F.2d at 1408. The  
26 plaintiff has "the burden of establishing the defendant's gross profits from the infringing activity with  
27 reasonable certainty." *Id.* However, "[o]nce the plaintiff demonstrates gross profits, they are  
28 presumed to be the result of the infringing activity." *Id.*; *see also Mishawaka Rubber & Woolen Mfg.*

1 Co., 316 U.S. 203, 206 (holding that if the defendant is unable to rebut the presumption that goods  
2 carrying infringing mark were sold “in response to the diffused appeal of the plaintiff’s symbol . . . the  
3 profits made on sales of infringing goods bearing the infringing mark properly belong to the owner of  
4 the mark”). The burden then shifts to the defendant to show that the profits are not the result of the  
5 infringement. *Id.*

6 Oyster asserts that it has presented sufficient evidence of unjust enrichment to entitle it to a  
7 presumption that FPI was unjustly enriched by its alleged trademark infringement. Although Oyster  
8 concedes that its own expert did not address the issue of unjust enrichment, Oyster points to evidence  
9 contained in a report by FPI’s expert, Dr. Eva Luna, showing that Oyster obtained four new customers  
10 through the Internet during the period in which FPI was using Oyster’s metatags. *See* Opposition at  
11 13 n. 1; *see also* Exh. R to Eisentraut Decl. (Luna Depo.) and Exh. S to Eisentraut Decl. (Luna Expert  
12 Report)). The Court finds that this evidence is sufficient to raise a prima facie case of unjust  
13 enrichment and therefore, declines to find that an accounting is barred at this stage of the proceeding.<sup>6</sup>  
14 At trial, the burden will shift to FPI to demonstrate that these customers were not obtained as a result  
15 of FPI’s deliberate infringement.

### 16 C. Treble Damages and Costs

17 Under the Lanham Act, a court may award treble damages and attorneys’ fees where  
18 trademark infringement is found to be wilful. 15 U.S.C. § 1117. FPI asserts that it is entitled to an  
19 order barring treble damages and attorney’s fees because there is no evidence of wilful infringement.  
20 Motion at 17-18. As discussed above, the Court finds that there is an issue of fact as to wilfulness.  
21 Therefore, the Court declines to hold, as a matter of law, that treble damages and costs are barred.

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23 <sup>6</sup> The Court has found no cases that address the specific requirements for making a prima facie  
24 case of unjust enrichment in the context of the Internet where the alleged infringement is the use of  
25 trademarked terms in metatags. Thus, the Court relies on the policy underlying the presumption in  
26 determining the requirements for a prima facie case under the facts of this case. In particular, the Court  
27 looks to the reasoning of *Mishikawa*, in which the Court explained that “[a]lthough the award of profits  
28 is designed to make the plaintiff whole for losses which the infringer has caused by taking what did not  
belong to him, Congress did not put upon the despoiled the burden--as often as not impossible to  
sustain--of showing that but for the defendant’s unlawful use of the mark, particular customers would  
have purchased the plaintiff’s goods.” 316 U.S. at 205. Because it would likely be difficult for a plaintiff  
to establish that a particular customer found FPI *because of* the infringing metatags, the Court concludes  
that it is sufficient at this stage of the proceeding for Plaintiff to demonstrate that new customers were  
obtained by FPI via the Internet during the infringing period.

1 Rather, Oyster may seek treble damages with respect to any unjust enrichment it may be able to  
2 establish, assuming that it presents sufficient evidence to persuade the jury that Oyster's infringement  
3 was wilful and to persuade the Court that an accounting is justified. Further, if Oyster is able to  
4 persuade a jury that FPI acted wilfully, Oyster may seek attorneys' fees and costs for this action. The  
5 amount of the Court's award will depend upon, among other things, the degree of success obtained by  
6 Plaintiff relative to Plaintiff's claims and the damages originally sought. *See Caudle v. Bristow*  
7 *Optical, Inc.*, 224 F.3d 1014, 1028 n. 11 (9th Cir. 2000).

8 **D. Copyright Infringement Claim**

9 FPI asserted in its Motion that Oyster's claim for copyright infringement must be dismissed  
10 because Oyster had not presented any evidence that its copyright was registered at the time FPI filed  
11 its Motion. Motion at 23-24. However, Oyster provided its copyright registration as an exhibit in  
12 support of its Opposition. *See* Exh. L to Eisentraut Decl.<sup>7</sup> The effective date of registration is  
13 August 2, 2000. In its reply, FPI asserted that even though Oyster has now presented a certificate of  
14 copyright registration, that this Court does not have subject matter jurisdiction over Oyster's  
15 copyright claim because the copyright claim was instituted before the claim was registered, in  
16 violation of 17 U.S.C. § 411. Reply at 11. FPI further argues that Oyster should not be allowed to  
17 amend its Complaint on the eve of trial. *Id.* Finally, FPI argues that if the court "sustains Oyster's  
18 copyright claim, it is not entitled to statutory damages of attorneys fees" pursuant to 17 U.S.C. § 412,  
19 which provides that statutory damages and attorneys' fees are barred for any infringement of  
20 copyright commenced before the effective date of registration. *Id.* at 12.

21 Under 17 U.S.C. § 411(a), "no action for infringement of the copyright in any United States  
22 work shall be instituted until registration of the copyright claim has been made" or registration has  
23 been refused. In *Ryan v. Carl Corp.*, 1998 WL 320817 (N.D. Cal.), the court held that under this  
24 provision, the court does not have subject matter jurisdiction over a copyright claim until the  
25 copyright office actually issues a certificate of registration. *Id.* at \*2. When the certificate is received,

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27 <sup>7</sup> The Court overrules FPI's objection to Exhibit L and to Paragraph 13 of the Eisentraut Decl.,  
28 wherein Eisentraut states that Exhibit L is a "true and correct copy of Oyster's Certificate of  
Registration."

1 the registration is then backdated to the time the application was received. *Id.* The date of  
2 registration may affect the types of remedies that are available to the plaintiff. *Id.* The name plaintiff  
3 in *Ryan*, which was brought as a class action, alleged in her complaint that her copyright application  
4 was pending and the defendant brought a motion to dismiss. *Id.* at \*1. The court granted the motion,  
5 finding that the court did not have subject matter jurisdiction over the plaintiff’s claim because she  
6 did not allege that her copyright had been registered prior to instituting the action. *Id.* at \*2.  
7 However, the court agreed to hear arguments concerning whether it should permit the plaintiffs to  
8 amend their complaint to allege that they had received a certificate of registration as of the date of the  
9 amendment. *Id.* at \*3.

10 Here, as in *Ryan*, the Complaint alleges merely that Oyster “is now in the process of  
11 registering with the Register of Copyrights” FAC at 13. Because Oyster does not allege that its  
12 copyright has actually been registered, the Court does not have subject matter jurisdiction over this  
13 claim under 17 U.S.C. § 411(a). Thus, the Court must decide whether Oyster should be permitted to  
14 amend its Complaint to allege that its copyright has been registered. Leave to amend a complaint  
15 should be “freely given when justice so requires.” Fed. R. Civ. P. 15(a). Liberality in granting a  
16 plaintiff leave to amend “is subject to the qualification that the amendment not cause undue prejudice  
17 to the defendant, is not sought in bad faith, and is not futile.” *Bowles v. Reade*, 198 F.3d 752, 757 (9th  
18 Cir.1999). FPI argues that Oyster should not be allowed to amend its Complaint at this late date,  
19 when discovery has already closed.

20 The Court does not find any actual prejudice would arise from allowing Oyster to amend its  
21 claim. This claim is substantially similar to Oyster’s trademark infringement claims and therefore,  
22 FPI has had an adequate opportunity to obtain discovery on this claim. Therefore, Oyster shall be  
23 permitted to amend its claim to allege that it has received a certificate of registration.

24 Although Oyster shall be permitted to amend its Complaint, Oyster is not entitled to statutory  
25 damages or attorneys’ fees on Oyster’s copyright infringement claim because all of the relevant

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1 conduct occurred before the date of the copyright registration, August 2, 2000.<sup>8</sup> See 17 U.S.C. § 412.  
 2 Rather, Oyster is limited to recovery of “actual damages and profits.” See 17 U.S.C. § 504(b).  
 3 Section 504(b) provides that:

4 [t]he copyright owner is entitled to recover the actual damages suffered  
 5 by him or her as a result of the infringement, and any profits of the  
 6 infringer that are attributable to the infringement and are not taken into  
 7 account in computing the actual damages. In establishing the  
 8 infringer’s profits, the copyright owner is required to present proof  
 9 only of the infringer’s gross revenue, and the infringer is required to  
 10 prove his or her deductible expenses and the elements of profit  
 11 attributable to factors other than the copyrighted work.

12 17 U.S.C. § 504(b). As discussed above, Oyster has failed to establish a material issue of fact as to its  
 13 own lost profits and therefore, Oyster is barred from seeking lost profits with respect to its copyright  
 14 claim.<sup>9</sup>

15 **E. Trespass Claim**

16 FPI asserts that Oyster has failed to raise a genuine issue of material fact with respect to its  
 17 claim for trespass for two reasons: 1) it was Top-Ten and not FPI that sent robots to Oyster’s web site  
 18 and copied its metatags; and 2) regardless of who copied the metatags, there is no evidence that the  
 19 basic function of Oyster’s computer system was ever interfered with.

20 The Court rejects FPI’s first argument because FPI failed to address and presented no  
 21 authority on the issue of whether FPI could be held vicariously liable for the alleged trespass by Top-  
 22 Ten. Under the doctrine of *respondeat superior*, California courts have held that an employer is liable  
 23 for the torts of his employees committed within the scope of their employment. *Ducey v. Argo Sales*  
 24 *Co.*, 25 Cal. 3d 707, 721 (1979). On the other hand, “the general rule [in California] . . . is that a  
 25 principal is not liable for torts committed by an independent contractor.” *Yanez v. United States*, 63  
 26 F.3d 870, 872 (9th Cir. 1995).<sup>10</sup> Thus, even if FPI knew nothing about Top-Ten’s initial act of

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27 <sup>8</sup> At oral argument, Oyster did not dispute that statutory damages are not available with respect  
 28 to its copyright claim.

<sup>9</sup> The parties have not addressed – and therefore, the Court does not reach – the question of  
 whether an accounting may be available to Plaintiff on its copyright infringement claim.

<sup>10</sup> The Court assumes that California law governs Plaintiff’s trespass claim. However, the Court  
 does not reach this issue, which has not been addressed by the parties.

1 sending robots to Oyster’s web site and copying its metatags, it may still be liable for Top-Ten’s  
2 trespass if Oyster can persuade a jury that Top-Ten was an employee rather than a consultant.  
3 Regardless of whether or not Oyster will be able to meet this burden at trial, the Court cannot hold as  
4 a matter of law that Oyster will not be able to prevail on its trespass claim where FPI did not  
5 demonstrate in its motion that there is no material issue of fact with respect to the relationship  
6 between FPI and Top-Ten. *See Bradbury v. Phillips Petroleum Company*, 815 F.2d 1356, 1360 (10th  
7 Cir. 1987) (holding that “the relationship of principal and agent is ordinarily a question of fact”).

8 The Court also rejects FPI’s second argument, that Oyster cannot prevail on its trespass claim  
9 because the interference by Top-Ten’s robots was negligible. In order to prevail on a claim for  
10 trespass, a plaintiff must show that an intentional interference with the possession of personal  
11 property has proximately caused injury. *eBay Inc. v. Bidder’s Edge, Inc.*, 100 F. Supp. 2d 1058, 1069  
12 (N.D. Cal. 2000). Where a trespass claim is based on unauthorized access to a computer system, the  
13 plaintiff must demonstrate that 1) “defendant intentionally and without authorization interfered with  
14 plaintiff’s possessory interest in the computer system; and 2) defendant’s unauthorized use  
15 proximately resulted in damage to plaintiff.” *Id.* at 1069-1070. In *Bidder’s Edge*, the plaintiff sought  
16 a preliminary injunction prohibiting defendant’s use of “web crawlers” to search its web site. *Id.* at  
17 1063. The defendant in that case accessed eBay’s web site approximately 100,000 times a day for  
18 several months. *Id.* at 1071. In addressing whether or not the defendant’s conduct constituted a  
19 sufficient interference to establish a likelihood of prevailing on the merits, the court rejected the  
20 argument that the plaintiff was required to present evidence of “substantial interference” with  
21 possession. *Id.* at 1070. Rather, the court held, it was sufficient to show that the defendant’s conduct  
22 was at least “intermeddling with or use of another’s personal property.” *Id.* The court went on to  
23 note, “although the court admits some uncertainty as to the precise level of possessory interference  
24 required to constitute an intermeddling, there does not appear to be any dispute that eBay can show  
25 that BE’s conduct amounts to use of eBay’s computer system.” *Id.*

26 In contrast, in *Ticketmaster Corp. v. Tickets.com, Inc.*, 2000 WL 1887522 (C.D. Cal.), which  
27 also involved a motion for a preliminary injunction, the court reached the opposite conclusion. There,  
28 as in *Bidder’s Edge*, the defendant used web crawlers to monitor the contents of the plaintiff’s web

1 site. *Id.* at \*2. The court found, however, that plaintiff was not entitled to a preliminary injunction in  
2 that case. Drawing on the reasoning of the court’s decision in *Bidder’s Edge*, the court explained its  
3 holding as follows:

4           The computer is a piece of tangible property. It is operated by  
5           mysterious electronic impulses which did not exist when the law of  
6           trespass to chattels was developed, but the principles should not be too  
7           different. If the electronic impulses can do damage to the computer or  
8           to its function in a comparable way to taking a hammer to a piece of  
9           machinery, then it is no stretch to recognize that damage as trespass to  
10          chattels and provide legal remedy for it. Judge White [in *Bidder’s*  
11          *Edge*] found the damage in occupation of a portion of the capacity of  
12          the computer to handle routine business and conjectured that approval  
13          of that use would bring many more parasitic like copies of the  
14          defendant feeding the computer to a clogged level upon the  
15          information expensively developed by eBay, the net result likely being  
16          severe damage to the function of the computer and thus the business of  
17          eBay.

18 *Id.* In contrast, the court found, the defendant’s use of plaintiff’s computer system in *Ticketmaster*  
19 was “very small” and there was “no showing that the use interfere[d] to any extent with the regular  
20 business of” the plaintiff. *Id.* at \*4.

21           Here, Oyster has presented no evidence that the use of Top-Ten’s robot interfered with the  
22 basic function of Oyster’s computer system. Indeed, Oyster concedes that Top-Ten’s robot’s placed a  
23 “negligible” load on Oyster’s computer system. *See* Opposition at 21. Oyster asserts that Top-Ten’s  
24 copying of its metatags is, nonetheless, sufficient to prevail on its trespass claim. The Court agrees.

25 While the *eBay* decision could be read to require an interference that was more than negligible (as did  
26 the court in *Ticketmaster*), this Court concludes that *eBay*, in fact, imposes no such requirement.

27 Ultimately, the court in that case concluded that the defendant’s conduct was sufficient to establish a  
28 cause of action for trespass not because the interference was “substantial” but simply because the  
29 defendant’s conduct amounted to “use” of Plaintiff’s computer. 100 F. Supp. 2d at 1070; *see also*  
30 *Compuserve Inc. v. Cyber Promotions Inc.*, 962 F.Supp. 1015, 1022 (9th Cir. 1997) (relying on  
31 California law and holding that “[a] plaintiff can sustain an action for trespass to chattels, as opposed  
32 to an action for conversion, without showing a substantial interference with its right to possession of  
33 that chattel”). Therefore, the Court declines to dismiss Oyster’s trespass claim on the grounds that

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1 Oyster has shown only a minimal interference because Oyster has presented evidence of “use” by  
2 Top-Ten.<sup>11</sup>

3 **F. Conspiracy Claim**

4 FPI asserts that Oyster has failed to present any evidence of a conspiracy between FPI and  
5 Top-Ten and therefore, that Oyster’s conspiracy claim should be dismissed. The Court agrees.

6 In order to prevail on a claim for conspiracy, a plaintiff is “required to provide substantial  
7 evidence of three elements: (1) the formation and operation of the conspiracy, (2) wrongful conduct in  
8 furtherance of the conspiracy, and (3) damages arising from the wrongful conduct.” *Kidron v. Movie*  
9 *Acquisition Corp.*, 40 Cal. App. 4th 1571, 1581 (1995). Oyster asserts that it has raised a factual  
10 issue based on the contract with Top-Ten and the evidence that FPI modified some of the files at issue  
11 on September 8, 1999. Opposition at 22. However, neither the contract with Top-Ten nor the  
12 modification of some of the files provides any evidence of an “agree[ment] to perform a wrongful  
13 act.” *See Wyatt v. Union Mortgage Co.*, 24 Cal. 3d 773, 784 (1979). Therefore, the Court finds that  
14 Oyster has failed to raise a material issue of fact with respect to its conspiracy claim.

15 **IV. CONCLUSION**

16 For the reasons stated above, FPI’s Motion For Partial Summary Judgment [Docket No. 108]  
17 is GRANTED in part and DENIED in part, as follows:

- 18 1) FPI’s Motion is GRANTED as to Claims One, Three, Four, and Seven of Plaintiff’s  
19 First Amended Complaint, which are dismissed with prejudice;
- 20 2) FPI’s Motion is GRANTED with respect to Claims Two, Five, and Six to the extent  
21 that Plaintiff seeks to recover lost profits;
- 22 3) FPI’s Motion is GRANTED with respect to Claim Five to the extent that Plaintiff  
23 seeks an award of statutory damages and attorneys’ fees;
- 24 4) FPI’s Motion is DENIED except as specified above.

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27 <sup>11</sup> However, as Oyster conceded at oral argument, Oyster’s alleged damages on its trespass claim  
28 are the same as those arising from its trademark and copyright claims. Therefore, the lost profits analysis  
discussed above applies to Oyster’s trespass claim as well. In particular, because Oyster has failed to  
establish a genuine issue of material fact with respect to lost profits, Oyster may not seek lost profits on  
its trespass claim, just as it is barred from seeking lost profits as to its trademark and copyright claims.

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With respect to Claim Five, for copyright infringement, Plaintiff shall be permitted to amend its Complaint to allege that it has received a certificate of registration.

IT IS SO ORDERED.

Date: December 6, 2001

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JOSEPH C. SPERO  
United States Magistrate Judge