UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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BROADVISION INC.,

Plaintiff,

-against-

GENERAL ELECTRIC CO. AND THE MEDICAL PROTECTIVE CO.,

Defendants.

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08 Civ. 1478 (WHP)

MEMORANDUM AND ORDER

WILLIAM H. PAULEY III, District Judge:

Plaintiff BroadVision, Inc. ("BroadVision") brings this action against Defendants General Electric Company ("GE") and The Medical Protective Company ("MedPro") for copyright infringement under the Copyright Act, 17 U.S.C. § 101 et seq. and breach of contract. On October 15, 2008, this Court dismissed all claims against GE, but later granted BroadVision leave to file an amended complaint. See BroadVision v. General Electric Co., 08 Civ. 1478 (WHP), 2008 WL 4684114 (S.D.N.Y. Oct. 15, 2008). Both GE and MedPro now move to dismiss the Amended Complaint. For the following reasons, GE's motion is granted and MedPro's motion is granted in part and denied in part.

BACKGROUND

I. The Master License Agreement

For purposes of this motion, the Court accepts the allegations in the Amended Complaint as true. BroadVision owns a copyright in its One-To-One software. (Amended Complaint dated Dec. 12, 2008 ("Am. Compl." or "Amended Complaint") ¶ 61.) In November

1999, BroadVision and GE entered into a Master License Agreement (the "MLA"), which provides that "[i]n consideration of payment to be made by GE to [BroadVision] pursuant to Schedule A of this Agreement, [BroadVision] grants and agrees to grant GE a non-exclusive perpetual non-transferable . . . worldwide license(s) to use and/or reproduce the [One-To-One software] . . . under the terms of this Agreement." (Am. Compl. Ex. 1: MLA dated Nov. 16, 1999 § 3.1.) The MLA defines "GE" as "all General Electric components, subsidiaries, affiliates and joint-venture partners worldwide under the common control of GE." (Am. Compl. Ex. 1 § 1.0.)

Schedule A to the MLA is a "Product Order Form" that lists three purchase options and their pricing schedules, and reflects discounts of up to 60 percent from BroadVision's normal licensing rates. (Am. Compl. Ex. 2: Schedule A.) Schedule A provides the following three options: (1) $1.5 million for an unlimited use of software developer kits and tools ("Development Licenses") for an eighteen-month period and the right to continue to use in perpetuity the number of Development Licenses in use at the end of the period; (2) $500,000 for a set number of Development Licenses; or (3) purchase of Development Licenses "a la carte". (Am. Compl. ¶ 22.) Even if GE did not choose the first option, it would be entitled to the benefits of that option if the usage rights obtained by all GE companies aggregated to $1.5 million within the first eighteen months. (Am. Compl. ¶ 23.)

The MLA also required the purchase of user profiles for visitors to the website utilizing the One-to-One software ("Deployment Licenses"). (Am. Compl. ¶¶ 24-25.) Pursuant to the MLA, the price per Deployment License decreased as GE increased the volume of licenses it purchased. (Am. Compl. ¶ 25.) Under the MLA, GE could aggregate the Deployment

Licenses purchased by all GE businesses to determine the price per Deployment License. (Am. Compl. ¶ 26.)

The MLA gave BroadVision the right to request an audit of "GE's records to ensure that license and other fees have been properly paid in compliance with the [MLA]. . . . If an audit reveals that GE has underpaid its total fees by more than five percent, than GE shall pay [BroadVision's] reasonable cost of conducting the audit, in addition to the underpaid amount." (Am. Compl. Ex. 1 § 16.0.)

BroadVision alleges that "it was the intention of the parties to the MLA that GE . . . would have legal and financial responsibility for all [use under the MLA], even if the actual user was a separate legal entity from GE." (Am. Compl. ¶ 19.) According to BroadVision, that intention is evidenced by the fact that GE: (1) was designated the licensee and agreed not to exceed the scope of the licenses granted; (2) was defined to include all companies in the GE enterprise; (3) agreed that if an audit showed an underpayment of more than five percent, it would pay the costs of the audit and the unpaid amount; (4) had the ability to transfer rights among its various businesses and assign those rights if it divested a subsidiary; (5) could aggregate usage across all GE businesses to determine the price per Deployment License and take advantage of the benefits of option 1 of Schedule A; and (6) negotiated a 60% discount from BroadVision's standard license fees. (Am. Compl. ¶ 20.)

BroadVision alleges that GE "centrally managed and oversaw the administration of the MLA, including the usage rights acquired by all components of GE pursuant to the MLA, and the usage of the Software by all components of GE." (Am. Compl. ¶ 27.) In addition, BroadVision alleges that GE sent "notices to various components of 'GE', as defined in the MLA, concerning the availability of the Software and other services pursuant to the MLA and required periodic reports from the various components of 'GE', as defined in the MLA, concerning such components' usage of the Software." (Am. Comp. ¶ 28.)

II. Usage of the One-to-One Software

At the time of the MLA, MedPro was a division, subsidiary or affiliate of Employers Reinsurance Corporation ("EmployersRe"), which in turn was a division, subsidiary or affiliate of GE. (Am. Compl. ¶ 12.) GE sold MedPro in July 2005 and EmployersRe in June 2006. (Am. Compl. ¶¶ 38, 41.) On September 30, 2005, MedPro entered into a separate license agreement with BroadVision (the "MedPro MLA"). (Am. Compl. ¶ 39.)

In December 1999, pursuant to the MLA, EmployersRe purchased the "option 2 starter kit," and Deployment Licenses allowing for 100,000 users. (Am. Compl. ¶¶ 31, Ex. 2: Invoice dated Dec. 10, 1999.) Although the Amended Complaint alleges that GE licensed the package, BroadVision invoiced EmployersRe and shipped the software to that firm. (Am. Compl. ¶¶ 31, Ex. 2.) Thereafter, EmployersRe and MedPro used the Developer and Deployment Licenses. (Am. Compl. ¶ 34.)

In April 2007, BroadVision audited EmployersRe's and determined that EmployersRe alone had exceeded the usage limits during the period it was owned by GE. (Am. Compl. ¶ 48.) MedPro initially refused to allow an audit under the MLA for the period prior to September 30, 2005 because it claimed GE's consent was required. (Am. Compl. ¶ 53.) However, MedPro continued to refuse to make the relevant records available even after GE consented to the audit. (Am. Compl. ¶¶ 54-55.) Following the commencement of this litigation, BroadVision conducted an audit of MedPro's usage prior to September 30, 2005, and determined that it exceeded the limits for that period. (Am. Compl. ¶ 56.)

BroadVision also audited MedPro's usage under the MedPro MLA and found that MedPro had exceeded the usage limits for the period after September 30, 2005. (Am. Compl. ¶¶ 51-52.)

DISCUSSION

I. Legal Standard

On a motion to dismiss, the Court must accept the material facts alleged in the complaint as true and construe all reasonable inferences in the plaintiff's favor. Grandon v. Merrill Lynch & Co., 147 F.3d 184, 188 (2d Cir. 1998). Nonetheless, "factual allegations must be enough to raise a right of relief above the speculative level, on the assumption that all of the allegations in the complaint are true." Bell Atl. Corp. v. Twombly, 540 U.S. 544, 556 (2007) (requiring plaintiff to plead "enough fact[s] to raise a reasonable expectation that discovery will reveal evidence of [his claim]"); see also ATSI Commc'ns, Inc. v. Shaar Fund, Ltd., 493 F.3d 87, 98 (2d Cir. 2007) ("We have declined to read Twombly's flexible 'plausibility standard' as relating only to antitrust cases."). A court's "consideration [on a motion to dismiss] is limited to facts stated on the face of the complaint, in documents appended to the complaint or incorporated in the complaint by reference, and to matters of which judicial notice may be taken." Allen v. WestPoint-Pepperell, Inc., 945 F.2d 40, 44 (2d Cir. 1991).

II. GE

A. Copyright Infringement

BroadVision brings four claims of copyright infringement against GE: (1) direct infringement; (2) contractual assumption of copyright infringement liability; (3) vicarious infringement; and (4) copyright infringement arising from GE's substantial and continuing connection to MedPro's use of the software.

1. Direct Infringement

"To succeed on a claim for direct infringement under the Copyright Act, a plaintiff must show that (a) he owned a valid copyright . . . and (b) defendants copied original constituent elements of [the copyrighted work]." Phillips v. Audio Active Ltd., 494 F.3d 378, 390 (2d Cir. 2007). A plaintiff must allege, inter alia, "by what acts" and "at what time [defendant] infringed his copyright." Lennon v. Seaman, No. 99 Civ. 2664 (LBS), 2002 WL 109525, at *6 (S.D.N.Y. Jan. 28, 2002); see also Kelly v. L.L. Cool J., 145 F.R.D. 32, 36 (S.D.N.Y. 1992). This Court previously dismissed this claim against GE on the grounds that BroadVision failed to allege any acts by which GE infringed BroadVision's copyright. The Amended Complaint fails to correct this defect and accordingly, the direct infringement claim is dismissed.

2. Contractual Assumption of Copyright Infringement Liability

While Plaintiff contends this claim "sounds in contract", it seeks damages pursuant to the Copyright Act. Plaintiff concedes that there is no existing caselaw that would support such a claim under the Copyright Act. This Court declines to create a new cause of action under the Copyright Act. Accordingly, the claim is dismissed.

3. Vicarious Liability

The Copyright Act allows for "the imposition of liability upon parties other than those who directly commit the wrongful act." Banff Ltd. v. Limited, Inc., 869 F. Supp. 1103, 1106 (S.D.N.Y. 1994) (citing Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417, 435 (1984)). "When the right and ability to supervise, coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials—even in the absence of actual knowledge that the copyright monopoly is being impaired . . . the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation." Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304, 307 (2d Cir. 1963).

To state a claim for vicarious liability against a parent for the actions of its subsidiary, a plaintiff must show more than just a legal relationship between the parent and the subsidiary or that the parent benefits from its ownership of the subsidiary. Banff, 869 F.Supp. at 1107-9; Dauman v. Hallmark Card, Inc., No. 96 Civ. 3608 (JFK), 1998 WL 54633, at *6 (S.D.N.Y. Feb. 9, 1998). Rather, "the plaintiff must show that the parent has a direct financial interest in the infringing activity, and that the parent has the right and ability to supervise the subsidiary, which is evidenced by some continuing connection between the two in regard to the infringing activity." Banff, 869 F. Supp. at 1110; see also Frank Music Corp. v. Metro-Goldwyn-Mayer Inc., 886 F.2d 1545, 1553 (9th Cir. 1989); Hecke v. Clear Channel Commc'ns, Inc., No. 04 Civ. 1583 (JSR), 2005 WL 975837, at *2 (S.D.N.Y. Apr. 27, 2005); Shady Records, Inc. v. Source Enters., Inc., No. 03 Civ. 9944 (GEL), 2005 WL 14920, at * 26 (S.D.N.Y. Jan. 3, 2005).

The Amended Complaint fails to allege that MedPro benefited from its alleged infringing activity in any way other than by not paying for Development or Deployment Licenses that it used. Therefore, GE's only financial interest in MedPro's infringing activity is its interest, as MedPro's parent, in those cost savings. However, if this were sufficient to show a direct financial interest, every parent corporation would have a direct financial interest in a subsidiary's infringing activity because an infringer by definition saves costs by failing to pay for the copyrighted material. Compare Banff, 869 F. Supp. at 1101 (declining to apply vicarious liability in a manner that would "attach liability to every parent corporation for the infringing acts of its subsidiaries, solely because of the parent-subsidiary relationship") and Shady Records, 2005 WL 14920, at *26 ("a parent company with one hundred percent ownership and control must do more than simply own the subsidiary to be vicariously liable") and Artists Music, Inc. v. Reed Publ'g (US), Inc., 93 Civ. 3428 (JFK), 1994 WL 191643, at *6 (S.D.N.Y. May 13, 1994) (plaintiff failed to show direct financial benefit where defendant leased space at a trade show for a fixed fee to exhibitor who then played infringing music; defendant's revenues were not dependant on whether exhibitor played music) with Shapiro, 316 F.2d at 306 (defendant was vicariously liable where it received 10 to 12% commission from all of infringer's sales).

BroadVision also alleges that GE had a direct financial interest in MedPro's infringing activity because it negotiated the MLA on behalf of itself and all of its subsidiaries and because of the specific terms of the MLA. As this Court previously held, while GE may have obtained discounted rates for the purchase of the One-To-One software, there are no allegations suggesting any direct benefit to GE from MedPro's infringement. See BroadVision, 2008 WL 4684114, at *3. To the contrary, the terms of the MLA provided incentives for GE to monitor the usage of Development and Deployment Licenses by its businesses, rather than to benefit financially from hiding usage. For example, GE had the right to transfer usage rights among its various companies and to lower licensing fees if the aggregate usage reached $1.5 million. Thus, because of the disincentives in the MLA it was in GE's financial best interest to monitor usage and avoid infringing activity. Accordingly, the claim against GE for vicarious liability is dismissed.

4. Substantial and Continuing Connection

The Ninth Circuit has held that a "parent corporation cannot be held liable for the infringing actions of its subsidiary unless there is a substantial and continuing connection between the two with respect to the infringing acts." Frank Music Corp., 886 F.2d at 1553 (finding that parent corporation was jointly and severally liable for subsidiary's infringement). BroadVision alleges that GE is jointly and severally liable for MedPro's infringement because there is a substantial and continuing connection between the two with respect to MedPro's infringement. No other court has adopted the theory of parent liability set forth in Frank Music. Rather, courts in this circuit address parent liability as a claim for vicarious liability, which this Court discussed above. Accordingly, because this Court will not adopt the theory of parent liability set forth in Frank Music, the claim for joint and several liability of GE for MedPro's infringing activity is dismissed.

B. Breach of Contract

This Court previously dismissed BroadVision's breach of contract claim against GE because it was preempted by the Copyright Act. See Broadvision, 2008 WL 4684114, at *4. That claim alleged that GE breached the MLA by making copies of and using the One-To-One software in excess of the usage limits purchased. The Amended Complaint alleges that GE breached its agreement (1) in § 3.5 of the MLA not to "exceed the scope of licenses granted" by the "excessive usage and failure to pay therefore"; and (2) in § 16.0 of the MLA to pay the costs of the audit and any underpayment, if that audit shows underpayment. (Am. Compl. ¶¶ 111-14.)

The first claim is the same as the previously dismissed breach of contract claim; it alleges a breach of the same provision of the MLA. While BroadVision alleges that GE breached the provision by failing to pay for the excessive use, § 3.5 states only that "GE agrees not to exceed the scope of licenses granted herein."

As for the second claim, at the time BroadVision brought this action it had not conducted an audit of MedPro under the MLA because MedPro refused to allow it, even after BroadVision obtained GE's consent. GE could not have breached its agreement to pay for an audit that was not conducted, through no fault of GE. Accordingly, the breach of contract claim is dismissed.

II. MedPro

A. Copyright Infringement

The statute of limitations for copyright infringement claims is three years. 17 U.S.C. § 507(b). The Court of Appeals has not addressed whether a claim for copyright infringement accrues under the discovery rule—when plaintiff knew or should have known of the infringement—or the injury rule—at the time of infringement. For many years, courts in this Circuit applied the discovery rule because the Court of Appeals has applied that rule to claims for co-ownership of copyrighted materials. See Vasquez v. Torres-Negron, 06 Civ. 619 (CM), 2007 WL 2244784, at *7 (S.D.N.Y. July 11, 2007) (citing Merchant v. Levy, 92 F.3d 51 (2d Cir. 1996)).

Courts must look at the text and structure of a statute to determine which rule should apply when a statute is silent as to when the claim accrues. See TRW v. Andrews, 534 U.S. 19 (2001) (reversing the application of the discovery rule to claims under the Fair Credit Reporting Act). In light of that directive from the Supreme Court, one district court in this circuit considered, inter alia, the text and legislative history of the Copyright Act and determined that the injury rule should apply to claims for copyright infringement. See Auscape Int'l v. Nat'l Geographic Soc., 409 F. Supp. 2d 235 (S.D.N.Y. 2004). Several district courts in this circuit have followed the reasoning and applied the injury rule. See, e.g., Med. Educ. Dev. Servs. v. Reed Elsevier Group, PLC, 05 Civ. 8665 (GEL), 2008 WL 4449412, at *10 (S.D.N.Y. Sep. 30, 2008); C.A. Inc. v. Rocket Software, Inc., 579 F. Supp. 2d 355, 360 (E.D.N.Y. 2008); Vasquez, 2007 WL 2244784, at *7; Roberts v. Keith, 04 Civ. 10079 (CSH), 2006 WL 547252, at *2-*4 (S.D.N.Y. Mar. 7, 2006); Chivalry Film Prods. v. NBC Universal, Inc., 05 Civ. 5627 (GEL), 2006 WL 89944, at *1 (S.D.N.Y. Jan. 11, 2006). But see, e.g., Felix the Cat Prods., Inc. v. Cal Clock Co., 04 Civ. 5714 (DAB), 2007 WL 1032267, at *2 (S.D.N.Y. Mar. 30, 2007) (citing the discovery rule, but noting that plaintiff only sought relief for infringement that occurred in the three years prior to the filing of the action); Kwan v. Schlein, 441 F. Supp. 2d 491, 499 (S.D.N.Y. 2006) (applying discovery rule); Tomas v. Gillespie, 385 F. Supp. 2d 240, 243 (S.D.N.Y. 2005) (applying discovery rule but finding claims time-barred); Newsome v. Brown, 01 Civ. 2807 (TPG), 2005 WL 627639, at *5 (S.D.N.Y. Mar. 16, 2005) (applying discovery rule). This Court finds the analysis of those courts applying the injury rule persuasive and adopts it.

BroadVision argues that the statute of limitations should be tolled due to MedPro's fraudulent concealment and/or the doctrine of equitable tolling. "[F]raudulent concealment of the existence of a cause of action tolls the running of the statute of limitations." Stone v. Williams, 970 F.2d 1043, 1048-49 (2d Cir. 1992). A plaintiff must plead: (1) wrongful concealment; (2) which prevented discovery of the nature of the claim within the limitations period; and (3) due diligence in pursuing discovery of the claim. In re Merrill Lynch Ltd. P'ships Litig., 154 F.3d 56, 60 (2d Cir. 1998). While MedPro refused to allow an audit of its usage prior to the MedPro MLA, BroadVision was aware of its claim against MedPro because the EmployersRe audit indicated that EmployersRe alone had used more than the Development and Deployment Licenses purchased for both EmployersRe and MedPro. Therefore, MedPro's failure to allow the audit, whether or not wrongful, did not prevent BroadVision from discovering its claim against MedPro.

A court also has discretion to toll the statute of limitations where a plaintiff was "justifiably ignorant of his cause of action." Carell v. Shubert Org., Inc., 104 F. Supp. 2d 236, 250 (S.D.N.Y. 2000). The court must consider "whether the person seeking application of the equitable tolling doctrine (1) has acted with reasonable diligence during the time period [ ] he seeks to have tolled, and (2) has proved that the circumstances are so extraordinary that the doctrine should apply." Zerilli-Edelglass v. N.Y. City Transit Auth., 333 F.3d 74, 80-81 (2d Cir. 2003) (citations and quotations omitted). Since BroadVision became aware of its cause of action against MedPro as a result of the EmployersRe audit, this Court cannot find extraordinary circumstances justifying equitable tolling.

Accordingly, because Broadvision filed this action on February 13, 2008, any claim for infringement prior to February 13, 2005 is time-barred.

B. Breach of Contract

1. Breach of the MLA

BroadVision alleges that "MedPro has ratified and accepted the MLA and is bound by the terms thereof" based on its use of the Software "pursuant to the terms of the MLA" and acceptance of "the benefits of usage of the Software and of the MLA." (Am. Compl ¶ 118.) BroadVision alleges that MedPro breached the same two provisions as GE. However, as discussed above any claim for breach of § 3.5 of the MLA is preempted by the Copyright Act. BroadVision also alleges that MedPro breached the audit provision of the MLA.

Under New York law, a contract not expressly stated in oral or written terms may be implied from the conduct of the parties. See Maas v. Cornell Univ., 721 N.E.2d 966, 960-70 (N.Y. 1999). An implied-in-fact contract "arises 'when the agreement and promise have simply not been expressed in words,' but 'a court may justifiably infer that the promise would have been explicitly made, had attention been drawn to it.'" Nadel v. Play-By-Play Toys & Novelties, Inc., 208 F.3d 368, 376 n.5 (2d Cir. 2000) (quoting Maas, 721 N.E. 2d at 970). "An implied-in-fact contract 'requires such elements as consideration, mutual assent, legal capacity and legal subject matter.'" Nadel, 208 F.3d at 376 n.5 (quoting Maas, 721 N.E. 2d at 970). "The element of mutual assent, for example, must be inferred from the facts and circumstances of each case, including such factors as the specific conduct of the parties, industry custom, and course of dealing." Nadel, 208 F.3d at 376 n.5.

Here, the facts and circumstances do not suggest an implied-in-fact contract. There are no facts suggesting a course of dealing between MedPro and Broadvision—BroadVision does not allege that it had any contact with MedPro or that MedPro ever purchased any Deployment or Development Licenses from BroadVision. See, e.g., Nanjing Textiles IMP/EXP Corp., Ltd. v. NCC Sportswear Corp., 06 Civ. 52 (JGK), 2006 WL 2337186, at *11 (S.D.N.Y. Aug. 11, 2006) (plaintiff's delivery of goods pursuant to twenty-one delivery orders and invoices established an implied contract). In fact, BroadVision alleges that it was EmployersRe, and not MedPro, that it invoiced for the Development and Deployment Licenses that MedPro used. While BroadVision alleges that GE sent periodic notices to its companies regarding the availability of the One-to-One software, and required periodic reports regarding usage of the software, it does not allege that GE made MedPro aware of the provision requiring it to permit, and pay for, an audit that revealed a 5% underpayment. In addition, BroadVision does not allege that this provision was the industry custom, such that MedPro would have been aware of it simply from its use of the software. See Nadel, 208 F.3d at 376 n.5. (mutual assent may be inferred from industry custom). Accordingly, because BroadVision fails to allege an implied contract or implied license, the claim for breach of the MLA against MedPro is dismissed.[1]

2. Breach of the MedPro MLA

Section 301 of the Copyright Act preempts state law actions that seek to vindicate rights equivalent to those protected under the Copyright Act. 17 U.S.C. § 301(a). The Copyright Act preempts state law claims when: (1) "the particular work to which the claim is being applied falls within the type of works protected by the Copyright Act" and (2) "the claim seeks to vindicate legal or equitable rights that are equivalent to one of the bundle of exclusive rights already protected by copyright law." Briarpatch Ltd., L.P. v. Phoenix Pictures, Inc., 373 F.3d 296, 305 (2d Cir. 2004). The parties do not dispute that the One-To-One software falls within the type of work protected by the Copyright Act.

A "claim seeks to vindicate legal or equitable rights that are equivalent to one of the bundle of exclusive rights already protected by copyright law" if it involves "acts of reproduction, adaptation, performance, distribution or display" and does not include "any extra

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[1] BroadVision also argues that MedPro should be bound by the MLA under an estoppel theory and because it was a third-party beneficiary of the MLA. "Under New York law, a contractual promise can be enforced by a non-party who is an intended third-party beneficiary of that promise." Consolidated Edison, Inc. v. Northeast Utilities, 426 F.3d 524, 527 (2d Cir. 2005) (citing Fourth Ocean Putnam Corp. v. Interstate Wrecking Co., 485 N.E.2d 208 (N.Y. 1985)). However, MedPro is the intended third-party beneficiary of the MLA, not BroadVision. As for BroadVision's estoppel theory, it relies on cases requiring parties to submit to arbitration after accepting the benefits of a contract that includes an arbitration provision. See, e.g., Am. Bureau of Shipping v. Tencara Shipyard, S.P.A., 170 F.3d 349 (2d Cir. 1999.) Those cases are inapposite.

element[] that make[s] it qualitatively different from a copyright infringement claim." Briarpatch, 373 F.3d at 305. The Court of Appeals has taken a "restrictive view of what extra elements transform an otherwise equivalent claim." Briarpatch, 373 F.3d at 306. "To determine whether a claim is qualitatively different, [courts] look at what [the] plaintiff seeks to protect, the theories in which the matter is thought to be protected and the rights sought to be enforced." Briarpatch, 373 F.3d at 305 (internal quotation marks and citations omitted).

Courts consider the nature of the promise at issue in a breach of contract claim and whether it creates an extra element. See, e.g., eScholar, LLC v. Otis Educ. Sys., Inc., 387 F. Supp. 2d 329, 332 (S.D.N.Y. 2005) (breach of contract claim preempted to the extent it seeks to enforce plaintiff's right to reproduce and distribute its work but not to the extent it seeks to enforce contractual rights to audit and receive royalty fees); Lennon v. Seaman, 63 F. Supp. 2d 428, 438 (S.D.N.Y. 1999) (breach of contract claim based on promise not to disclose information not preempted); Smith v. Weinstein, 578 F. Supp. 1297, 1307-08 (S.D.N.Y. 1984) (breach of contract claim based on promise to maintain confidentiality not preempted).

BroadVision claims that MedPro breached: (1) § 1B of the MedPro MLA which required that "[i]n the event [MedPro's] use of the Software exceeds the number of licenses for which fees have been paid, [MedPro] shall promptly provide BroadVision with written notice and pay the required additional fees;" and (2) § 9 of the MedPro MLA which gave BroadVision the right to audit MedPro no more than once annually and provided that "[i]f an audit reveals that [MedPro] has underpaid its total fees by more than 5%, then [MedPro] shall pay BroadVision's reasonable costs of conducting the audit, in addition to the underpaid amount." (Am. Compl. ¶¶ 125-28.)

MedPro's promises to notify BroadVision of use that exceeded the licenses for which fees have been paid, to pay the additional fees, to pay for an audit that revealed underpayment of 5% or more, and to pay the underpaid amount, provide extra elements that make the claim qualitatively different from a copyright infringement claim. See eScholar, 387 F. Supp. 2d at 332; Brignoli v. Balch Hardy & Scheinman, Inc., 645 F.Supp. 1201, 1205 (S.D.N.Y. 1986) (promise to pay is an element beyond unauthorized reproduction and use); Katz Dochrermann & Epstein, Inc. v. Home Box Office, No. 97 Civ 7763 (TPG), 1999 WL 179603, at *4 (S.D.N.Y. Mar. 31, 1999) (breach of contract claim based on promise to pay for use of plaintiff's ideas was not preempted).

Accordingly, MedPro's motion to dismiss the claim for breach of contract claim under the MedPro MLA is denied.

CONCLUSION

For the foregoing reasons, GE's motion to dismiss the Amended Complaint against it is granted. MedPro's motion to dismiss the Amended Complaint is granted in part and denied in part. BroadVision's claims against MedPro for copyright infringement, to the extent not barred by the statute of limitations, and its claims for breach of the MedPro MLA may continue.

Dated: May 5, 2009
New York, New York

SO ORDERED:

WILLIAM H. PAULEY III
U.S.D.J.

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