

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

Dongxiao Yue, et al.,

NO. C 08-00019 JW

Plaintiffs,

**ORDER RE: VARIOUS MOTIONS FOR
SUMMARY JUDGMENT AND MOTIONS
TO EXCLUDE EXPERT TESTIMONY**

v.

Chordiant Software, Inc., et al.,

Defendants.

Presently before the Court are various motions by the parties.¹ The Court conducted a hearing on December 21, 2009. The parties seek summary judgment on numerous grounds, and seek to exclude the testimony of several expert witnesses.²

As a preliminary matter, since the parties have filed some of the evidence supporting and opposing the Motions under seal, this Order only summarizes the sealed evidence and provides

¹ (Defendants’ Motion to Exclude Testimony or Opinions from Plaintiffs’ Technical Expert Richard G. Cooper, hereafter, “Motion Re Dr. Cooper,” Docket Item No. 212; Plaintiffs’ Motion to Exclude Testimony and Report of Philip Faillace, hereafter, “Motion Re Dr. Faillace,” Docket Item No. 224; Defendants’ Motion to Exclude Testimony of Scott Hampton, hereafter, “Motion Re Mr. Hampton,” Docket Item No. 236, filed under seal; Plaintiffs’ Motion for Partial Summary Judgment, hereafter, “Plaintiffs’ Motion,” Docket Item No. 229; Defendant Derek P. Witte’s Motion for Summary Judgment, hereafter, “Witte’s Motion,” Docket Item No. 239; Defendant Chordiant Software, Inc.’s Motion for Summary Judgment, hereafter, “Chordiant’s Motion,” Docket Item No. 240; Defendants’ Motion for Summary Judgment as to Statutory Damages and Plaintiffs’ Attorneys’ Fees, hereafter, “Defendants’ Motion,” Docket Item No. 241.)

² For a detailed discussion of the facts and procedural history of this case, see the Court’s previous Orders of March 20, 2009 and July 9, 2009. (Docket Item Nos. 121, 142.)

1 general citations to the sealed evidence, but does not reveal their contents to protect the parties’
2 confidential information.

3 **A. Standards**

4 **1. Summary Judgment**

5 Summary judgment is proper “if the pleadings, depositions, answers to interrogatories, and
6 admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any
7 material fact and that the moving party is entitled to judgment as a matter of law.” Fed. R. Civ. P.
8 56(c). The purpose of summary judgment “is to isolate and dispose of factually unsupported claims
9 or defenses.” Celotex v. Catrett, 477 U.S. 317, 323-24 (1986). The moving party “always bears the
10 initial responsibility of informing the district court of the basis for its motion” Id. at 323. The
11 non-moving party “may not reply merely on allegations or denials in its own pleading; rather, its
12 response must—by affidavits or as otherwise provided in this rule—set out specific facts showing a
13 genuine issue for trial.” Fed. R. Civ. P. 56(e).

14 When evaluating a motion for summary judgment, the court views the evidence through the
15 prism of the evidentiary standard of proof that would pertain at trial. Anderson v. Liberty Lobby
16 Inc., 477 U.S. 242, 255 (1986). The court draws all reasonable inferences in favor of the non-
17 moving party, including questions of credibility and of the weight that particular evidence is
18 accorded. See, e.g., Masson v. New Yorker Magazine, Inc., 501 U.S. 496, 520 (1992). The court
19 determines whether the non-moving party’s “specific facts,” coupled with disputed background or
20 contextual facts, are such that a reasonable jury might return a verdict for the non-moving party.
21 T.W. Elec. Serv. v. Pac. Elec. Contractors, 809 F.2d 626, 631 (9th Cir. 1987). In such a case,
22 summary judgment is inappropriate. Anderson, 477 U.S. at 248. However, where a rational trier of
23 fact could not find for the non-moving party based on the record as a whole, there is no “genuine
24 issue for trial.” Matsushita Elec. Indus. Co. v. Zenith Radio, 475 U.S. 574, 587 (1986).

25 **2. Exclusion of Expert Testimony**

26 Federal Rule of Evidence 702 requires that a testifying expert be “qualified as an expert by
27 knowledge, skill, experience, training, or education.” The threshold for qualification is low, a
28

1 minimal foundation of knowledge, skill, and experience suffices. Hangarter v. Provident Life &
2 Accident Ins. Co., 373 F.3d 998, 1015-16 (9th Cir. 2004); see also Thomas v. Newton Int’l Enters.,
3 42 F.3d 1266, 1269 (9th Cir. 1994). When faced with a proffer of expert testimony, a district court
4 must determine whether the testimony is both reliable and relevant. Daubert v. Merrell Dow
5 Pharms., Inc., 509 U.S. 579, 589 (1993) (“Daubert I”). The court has broad discretion in assessing
6 both requirements. See United States v. Alatorre, 222 F.3d 1098, 1100 (9th Cir. 2000).

7 The reliability requirement ensures “that an expert, whether basing testimony on professional
8 studies or personal experience, employs in the courtroom the same level of intellectual rigor that
9 characterizes the practice of an expert in the relevant field.” Kumho Tire Co. v. Carmichael, 526
10 U.S. 137, 152 (1999). The offering party must show by a preponderance of the evidence (1) that the
11 expert is qualified to render the opinion and (2) that the opinion offered has adequate support.
12 Daubert I, 509 U.S. at 588-90. Expert testimony is not admissible if it is speculative. See Gen.
13 Elec. v. Joiner, 522 U.S. 136, 146 (1997). To satisfy the relevance requirement, the proffered expert
14 testimony must assist the trier of fact in understanding or determining a fact in issue. Daubert I, 509
15 U.S. at 591. In assessing relevance, the court must look to the governing substantive legal standard.
16 See Daubert v. Merrell Dow Pharms., Inc., 43 F.3d 1311, 1320 (9th Cir. 1995) (“Daubert II”).

17 **B. Plaintiffs’ Motion for Summary Judgment of Copyright Infringement**

18 Plaintiffs move for summary judgment of copyright infringement as to two pieces of Netbula
19 software—the Netbula JRPC and the Netbula JRPC Software Developer’s Kit (“SDK”)—covered
20 by registered copyrights TX 6-460-693 (“693 Copyright”) and TX 6-317-654 (“654 Copyright”).
21 (See Plaintiffs’ Motion at 3-4.)

22 “Copyright protection subsists . . . in original works of authorship fixed in any tangible
23 medium of expression . . .” 17 U.S.C. § 102. Copyright infringement requires that the party
24 asserting infringement show (1) ownership of a valid copyright, and (2) copying of elements of the
25 work that are original. Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 361 (1991);
26 Smith v. Jackson, 84 F.3d 1213, 1218 (9th Cir. 1996). The Copyright Act addresses validity as
27 follows:

1 In any judicial proceedings the certificate of a *registration made before or within five years*
 2 *after first publication* of the work shall constitute prima facie evidence of the validity of the
 copyright and of the facts stated in the certificate.

3 17 U.S.C. § 410(c) (emphasis added). Originality requires that “the work was independently created
 4 by the author (as opposed to copied from other works), and that it possesses at least some minimal
 5 degree of creativity.” Feist, 499 U.S. at 345. Whether a work is sufficiently original to warrant
 6 copyright protection is a question of fact. Dezendorf v. Twentieth Century-Fox Film Corp., 99 F.2d
 7 850, 850 (9th Cir. 1938); Creeks U.S.A. Corp. v. Roger Gimbel Accessories, No. CV88-2748
 8 (CBM), 1989 WL 168063, at *4 (C.D. Cal. Nov. 14, 1989).

9 Here, Plaintiffs submitted copies of the certificates of registration for the two copyrights at
 10 issue.³ The ‘693 Copyright was registered on November 20, 2006. (Id., Ex. 4.) The ‘654 Copyright
 11 was registered on January 9, 2006. (Id., Ex. 5.) Both registration certificates state a first publication
 12 date of November 15, 1999, which is more than five years prior to either registration date. (Id., Exs.
 13 4, 5.) Thus, the ‘693 and ‘654 Copyrights are not entitled to a statutory presumption of validity.

14 In light of the absence of a statutory presumption of validity, Plaintiffs have not met their
 15 burden to prove that the copyrights at issue are valid—*i.e.*, that the software at issue is sufficiently
 16 original to warrant copyright protection. In particular, although Plaintiffs represented that the
 17 software code was “written” entirely by Plaintiffs and was “100 percent Netbula,” Plaintiffs have not
 18 met their burden to show that the software code that they wrote was in fact independently conceived
 19 by Plaintiffs as opposed to copied from other works.⁴ Under this evidence, the Court finds a triable
 20 issue of fact as to the validity of the ‘693 and ‘654 Copyrights. Furthermore, the Court also finds a
 21 triable issue of fact as to whether Defendant Chordiant Software was licensed to use the software.⁵

22
 23 ³ (See Declaration of Dongxiao Yue in Support of Plaintiffs’ Motion for Summary Judgment
 or Summary Adjudication, Exs. 4, 5, hereafter, “Yue Decl.,” Docket Item No. 230.)

24 ⁴ (See Declaration of Dongxiao Yue in Support of Plaintiffs’ Reply Brief for the Motion for
 25 Summary Judgment or Summary Adjudication ¶¶ 8-12, Docket Item No. 303.)

26 ⁵ (See Yue Decl., Exs. 10, 28; Declaration of Liwen Mah in Support of Defendants’
 27 Opposition to Motion Partial Summary Judgment, Exs. 2, 10-12, Docket Item No. 265; Declaration
 of Saleem Abdelsayed in Support of Defendants’ Opposition to Motion for Partial Summary

1 Thus, the Court finds that summary judgment as to infringement of the '693 and '654 Copyrights is
2 not appropriate at this time.

3 Accordingly, the Court DENIES Plaintiffs' Motion.⁶

4 **C. Defendants' Motions for Summary Judgment**

5 **1. Defendants' Motion Re Statutory Damages and Attorney Fees**

6 Defendants move for summary judgment that Plaintiffs are not entitled to statutory damages
7 and attorney fees as a matter of law because the alleged infringement commenced before Plaintiffs
8 registered their copyrights. (Defendants' Motion at 1.)

9 To recover statutory damages or attorney fees in an action for copyright infringement, the
10 copyrighted work must have been registered prior to commencement of the infringement, unless the
11 registration is made within three months after first publication of the work. Derek Andrew, Inc. v.
12 Poof Apparel Corp., 528 F.3d 696, 699 (9th Cir. 2008) (citing 17 U.S.C. 412(2)). "[T]he first act of
13 infringement in a series of ongoing infringements of the same kind marks the commencement of one
14 continuing infringement under § 412." Id. at 701. Under section 412(2), "a plaintiff may not
15 recover an award of statutory damages and attorney's fees for infringements that commenced after
16 registration if the *same defendant* commenced an infringement of the *same work* prior to
17 registration." Mason v. Montgomery Data, Inc., 967 F.2d 135, 144 (5th Cir. 1992) (emphasis
18 added); see also Bouchat v. Bon-Ton Dep't Stores, Inc., 506 F.3d 315, 331 (4th Cir. 2007); Troll Co.
19 v. Uneeda Doll Co., 483 F.3d 150, 158-59 (2d Cir. 2007); Johnson v. Jones, 149 F.3d 494, 505-06
20 (6th Cir. 1998).

21 Here, the copyrights at issue were registered several years after the date of first publication
22 of the copyrighted works. (See Fourth Amended Complaint, Exs. A-E, hereafter, "FAC," Docket

23
24
25 Judgment ¶¶ 10-20, Docket Item No. 266.)

26 ⁶ In light of the Court's denial of Plaintiffs' Motion, the Court DENIES as moot Defendants'
27 Motion for Administrative Relief for Leave to File Defendants' Supplemental Opposition to
28 Plaintiffs' Motion for Partial Summary Judgment. (See Docket Item No. 324.)

1 Item No. 138.) Thus, statutory damages and attorney fees will be available to Plaintiffs only if the
2 copyrighted works were registered prior to commencement of the infringement.⁷

3 As a preliminary matter, Plaintiffs have conceded that they are not entitled to statutory
4 damages or attorney fees with respect to infringement of any copyrights covering the ONC RPC
5 software.⁸ As to the JRPC software—the other copyrighted software alleged to have been
6 infringed—Defendants distributed that software as part of their Chordiant Marketing Director
7 (“CMD”) product from 2001 to late 2007.⁹ The earliest of Plaintiffs’ copyrights was registered on
8 October 18, 2005. (FAC, Ex. A.) Thus, infringement of the JRPC software copyrights commenced
9 several years before any of the copyrights were registered.

10 Plaintiffs, however, contend that two new and distinct types of infringement of the ‘654
11 Copyright (relating to the JRPC software) began on October 30, 2006, after the January 9, 2006
12 registration date of the ‘654 Copyright, consequently entitling Plaintiffs to statutory damages and
13 attorney fees for those new and distinct acts of infringement. (See Opposition to Defendants’
14 Motion at 2-3; Yue Decl. Re Damages ¶¶ 6-13.) Specifically, Plaintiffs contend that Defendants
15 began incorporating the “orpc.jar” file—a part of the JRPC software that had been distributed by
16 Defendants since 2001 as part of CMD—into a newly released program distributed with CMD and
17

18 ⁷ The Court notes that one of the copyright registration certificates does not state a date of
19 first publication. (See FAC, Ex. C.) However, this ambiguity is immaterial to the Court’s analysis,
20 since, as explained below, Defendants’ alleged infringement commenced long before Plaintiffs
21 registered their copyrights.

22 ⁸ (See Plaintiffs’ Opposition Motion for Summary Judgment as to Statutory Damages and
23 Plaintiffs’ Attorneys’ Fees at 1, hereafter, “Opposition to Defendants’ Motion,” Docket Item No.
24 289.) The Court notes that Plaintiffs’ Opposition was not timely filed. Plaintiffs’ counsel
25 represented that he overlooked Defendants’ Motion due to a “flurry of e-filing activity” on the day
26 Defendants’ Motion was filed. (See Declaration of Antonio L. Cortes Supporting Motion to
27 Consider Late-Filed Brief ¶¶ 3-4, Docket Item No. 292.) The Court finds that Defendants will not
28 be prejudiced by the Court’s consideration of the untimely Opposition. The Court therefore
GRANTS Plaintiffs’ Motion to Consider Late-Filed Opposition Brief. (Docket Item No. 291.)

⁹ (See Declaration of Dr. Philip Faillace in Support of Defendants’ Reply Brief Regarding
Statutory Damages and Plaintiffs’ Attorneys’ Fees ¶ 5, hereafter, “Faillace Decl.,” Docket Item No.
314; Declaration of Dongxiao Yue in Opposition to Defendants’ Motion for Summary Judgment on
Statutory Damages and Attorneys’ Fees ¶¶ 6-13, hereafter, “Yue Decl. Re Damages,” Docket Item
No. 290.)

1 that Defendants also caused the orpc.jar file to be copied into a new file directory among the CMD
 2 program files. (See Opposition to Defendants’ Motion at 2-3; Yue Decl. Re Damages ¶¶ 6-13.)
 3 However, as Defendants point out, these acts were not materially different from the alleged
 4 infringement that had occurred from 2001 to 2006—*i.e.*, the unauthorized distribution of the same
 5 orpc.jar file as part of CMD. These “new” acts therefore do not warrant a separate date of
 6 commencement for the purposes of analyzing statutory damages and attorney fees. Thus, the Court
 7 finds that all of the alleged infringement commenced before Plaintiffs registered their copyrights.

8 Accordingly, the Court GRANTS Defendants’ Motion and strikes Plaintiffs’ request for
 9 statutory damages and attorney fees for the claim of copyrights infringement.

10 2. Defendant Chordiant’s Motion Re Reseller Status

11 Defendant Chordiant Software, Inc. moves for summary judgment that “any right that either
 12 Prime Response, Ltd. or its successor Chordiant Software International, Ltd. had to distribute CMD
 13 with Netbula’s runtime components under their respective licenses is equally possessed by
 14 Chordiant Software, Inc. as a reseller.” ([Proposed] Order Granting Chordiant Software Inc.’s
 15 Motion for Summary Adjudication, Docket Item No. 240-1.)

16 Here, the parties do not dispute that a “license.txt” file was included on CDs that Plaintiffs
 17 mailed to Prime Response, Ltd. in 2000 and to Chordiant Software International, Inc. (“Chordiant
 18 International”) in 2004.¹⁰ The license.txt files contained licensing terms, but were not executed by
 19 the parties and left certain terms, such as price, blank. In particular, the license.txt files both state
 20 that the licensed software (“including runtime DLLs”) is not for distribution “to any machine outside
 21 of your organization” without a “distribution license agreement from Netbula.” (Yue Decl. Opp.
 22 Chordiant’s Motion, Ex. 5; Wakefield Decl., Ex. 11.) The licenses also include sections stating the
 23 scope of such a distribution license. (See *id.*) The parties dispute whether they are bound by the

24
 25 ¹⁰ (See Declaration of Dongxiao Yue in Opposition to Chordiant Software, Inc.’s Motion for
 26 Summary Judgment or Summary Adjudication, Ex. 5, hereafter, “Yue Decl. Opp. Chordiant’s
 27 Motion,” Docket Item No. 274; Declaration of Jedediah Wakefield in Support of Defendants’
 28 Motions for Summary Judgment, Ex. 11, hereafter, “Wakefield Decl.,” Docket Item No. 242,
 partially filed under seal.)

1 license.txt files, and consequently, whether Chordiant International could distribute certain of
2 Plaintiffs' software to Defendant Chordiant for resale as a component within Chordiant Marketing
3 Director.

4 As the Court previously recognized, the evidence submitted by the parties includes invoices
5 corresponding to the 2000 purchase and the 2004 purchase. (See Order Denying Defendants'
6 Motion for Summary Judgment, Docket Item No. 142.) The invoice from 2000 shows that Prime
7 Response Ltd. paid for an "ONC RPC Limited Distribution License (1000 machines)." (Yue Decl.
8 Opp Chordiant's Motion, Ex. 4.) Similarly, the invoice from 2004 shows that Chordiant Software
9 International, Inc. paid for "1000 ONC RPC WIN32 Client runtime upgrade." (Yue Decl., Ex. 16.)

10 Under these undisputed facts, the Court finds that Plaintiffs granted to Chordiant International
11 licenses under the terms of the license files included on the CDs in 2000 and 2004.

12 The issue becomes whether those licenses give Defendant Chordiant the right to *distribute*
13 the purchased software. The license in 2000 (which the invoice shows Prime Response Ltd. paid for
14 an "ONC RPC Limited Distribution License (1000 machines)"), under a section entitled "Netbula
15 ONC RPC and PowerRPC Distribution License," states in relevant part:

16 Netbula grants to [sic] a non-exclusive, perpetual, irrevocable license to distribute the
17 Netbula RPC Supporting Programs and components set forth [in] Exhibit B (the 'Supporting
18 Programs') along with your product.

18 (Yue Decl. Opp. Chordiant's Motion, Ex. 5.) Exhibit B to the 2000 license lists the following files:
19 orpc.jar, Pmapsvc, Pwrpc32.dll, Portmap.exe, and Pmapsvc.exe. (Id.) Similarly, the license in 2004
20 (which the invoice shows that Chordiant International paid for "1000 ONC RPC WIN32 Client
21 runtime upgrade"), under a section entitled "Netbula ONC RPC and PowerRPC Distribution
22 License," states in relevant part:

23 Netbula grants to YOUR_COMPANY, a non-exclusive, perpetual, worldwide, irrevocable
24 license to copy, sublicense, transfer, demonstrate and distribute the Netbula RPC Supporting
25 Programs and components . . . set forth [in] Exhibit B (the 'Supporting Programs') along
26 with YOUR_COMPANY's product to YOUR_COMPANY's resellers, business partners and
27 customers.

26 (Yue Decl., Ex. 16.) Exhibit B to the 2004 license lists the following files: Pwrpc32.dll,
27 Portmap.exe, and Pmapsvc.exe. (Id.)

1 Upon review of the invoices and the language of the licenses, the Court finds that Chordiant
 2 International (as the successor to Prime Response Ltd.) had the right to distribute the files listed in
 3 the licenses to Defendant Chordiant. Furthermore, nothing in the language of the licenses as to
 4 distribution would prevent Defendant Chordiant from acting as a reseller of the listed files. Thus,
 5 the Court finds that the licenses allow Defendant Chordiant to act as a reseller of the listed files (as
 6 part of Chordiant Marketing Director) to the same extent that Chordiant International could sell or
 7 distribute the files.

8 Accordingly, the Court GRANTS Defendant Chordiant's Motion Re Reseller Status and
 9 declares that Chordiant has the same reseller rights as Chordiant International.

10 3. Defendant Derek Witte's Motion Re Vicarious Copyright Infringement

11 Defendant Derek Witte moves for summary judgment that Plaintiffs cannot prove their claim
 12 of vicarious copyright infringement against him on the ground that he lacked a direct and obvious
 13 financial benefit from the allegedly infringing activity of Defendant Chordiant Software, Inc.
 14 (Witte's Motion at 1.) Plaintiffs contend that they need further discovery before they can present a
 15 complete set of facts as to Defendant Witte's financial benefits resulting from the infringement, and
 16 they move pursuant to Federal Rule of Civil Procedure 56(f)(2) that the Court provisionally deny
 17 Defendant Witte's Motion so that Plaintiffs may conduct further discovery.¹¹ Plaintiffs further "seek
 18 a ruling that the [Fourth Amended Complaint] alleges *contributory* infringement without need for
 19 amendment." (*Id.* at 5 (emphasis added).)

20 1. Federal Rule of Civil Procedure 56(f)(2)

21 As a preliminary matter, the Court addresses Plaintiffs' request that the Court provisionally
 22 deny Defendant Witte's Motion under Rule 56(f)(2) and allow further discovery.

23 Rule 56(f) provides:

24 If a party opposing the motion [for summary judgment] shows by affidavit that, for
 25 specified reasons, it cannot present facts essential to justify its opposition, the court may: (1)

26
 27 ¹¹ (Plaintiffs' Opposition to Derek Witte's Motion for Summary Judgment at 1-3, hereafter,
 "Opposition Re Witte," Docket Item No. 275.)

1 deny the motion; (2) order a continuance to enable affidavits to be obtained, depositions to
2 be taken, or other discovery to be undertaken; or (3) issue any other just order.

3 “To prevail under this Rule, parties opposing a motion for summary judgment must make (a) a
4 timely application which (b) specifically identifies (c) relevant information, (d) where there is some
5 basis for believing that the information sought actually exists. The burden is on the party seeking
6 additional discovery to proffer sufficient facts to show that the evidence sought exists, and that it
7 would prevent summary judgment.” Blough v. Holland Realty, Inc., 574 F.3d 1084, 1091 n.5 (9th
8 Cir. 2009) (internal citations and quotations omitted). Courts deny Rule 56(f) requests where the
9 movant has failed to diligently pursue previous opportunities for discovery. See Cornwell v. Electra
10 Cent. Credit Union, 439 F.3d 1018, 1026-27 (9th Cir. 2006).

11 Upon review of Plaintiffs’ contentions as to discovery involving Defendant Witte, the Court
12 finds that Plaintiffs have not shown that they lacked adequate opportunities to request relevant
13 documents and information, or take a deposition of Defendant Witte.¹² At the very least, Plaintiffs
14 knew of the importance of discovering information showing a direct financial benefit between
15 Defendant Witte and the infringement as of the Court’s March 20, 2009 Order dismissing claims
16 against Defendant Witte, with leave to amend, for failure to show a direct financial benefit. (See
17 Docket Item No. 121.) Additionally, the October 30, 2009 discovery deadline was set by the Court
18 in May 2009 as a continuation of the then-existing discovery deadline. (See Docket Item No. 137.)
19 Aware of the October 30, 2009 deadline, Plaintiffs agreed to postpone the deposition of Defendant
20 Witte until after the close of discovery, and then were not available to take Defendant Witte’s
21 deposition on the two dates offered by Defendants after the close of discovery.¹³ Under these facts,
22 Plaintiffs have not shown that they lacked an adequate opportunity to take discovery as to Defendant

23
24 ¹² The Court notes that on November 18, 2009, Magistrate Judge Lloyd denied a motion by
25 Plaintiffs to compel discovery of Defendant Witte, including documents covering bonuses, stock
26 options, and other financial benefits to which Defendant Witte was entitled while employed by
27 Defendant Chordiant—mooting Plaintiffs’ contention here that they need more time to obtain such
28 information. (See Docket Item No. 260.)

¹³ (See Declaration of Antonio L. Cortes Supporting Opposition to Derek Witte’s Motion for
Summary Judgment ¶ 4, hereafter, “Cortes Decl.,” Docket Item No. 276.)

1 Witte. Furthermore, Plaintiffs have not proffered sufficient facts to show that any additional
2 evidence that they seek as relevant to their Opposition to Defendant Witte's Motion actually exists.
3 Thus, Plaintiffs have not made the required showing entitling them to relief under Rule 56(f). See
4 Blough, 574 F.3d at 1091 n.5.

5 Accordingly, the Court DENIES Plaintiffs' request that the Court allow further discovery
6 pursuant to Rule 56(f).

7 2. Merits of Plaintiffs' Claim for Vicarious Copyright Infringement

8 Having determined that Plaintiffs are not entitled to further discovery before the Court can
9 rule on Defendant Witte's Motion, the Court turns to analyze the merits of the Motion.

10 To prove a claim of vicarious copyright infringement, "a plaintiff must establish that the
11 defendant exercises the requisite control over the direct infringer and that the defendant derives a
12 direct financial benefit from the direct infringement." Perfect 10, Inc. v. Amazon.com, Inc., 508
13 F.3d 1146, 1173 (9th Cir. 2007). "Control" refers to the defendant's "right and ability to supervise
14 the direct infringer," specifically, "a legal right to stop or limit the directly infringing conduct, as
15 well as the practical ability to do so." Id.

16 The essential aspect of the "direct financial benefit" inquiry is whether there is "a causal
17 relationship between the infringing activity and any financial benefit a defendant reaps," irrespective
18 of the magnitude of the benefit. Ellison v. Robertson, 357 F.3d 1072, 1079 (9th Cir. 2004). There
19 must be an *obvious and direct* financial interest in the exploitation of copyrighted materials. Adobe
20 Sys. Inc. v. Canus Prod., Inc., 173 F. Supp. 2d 1044, 1052 (C.D. Cal. 2001). The mere fact that a
21 defendant is an officer and shareholder of an infringing corporation is "too attenuated" to show a
22 "'direct' financial interest in the exploitation of copyrighted materials." Softel, Inc. v. Dragon Med.
23 and Scientific Commc'ns, Inc., 118 F.3d 955, 971 (2d Cir. 1997).

24 Similarly, a shareholder who receives compensation from an infringing corporation that is
25 unrelated to infringing activity has a financial interest that is "too far removed from the alleged
26 infringement to be considered a 'direct' financial interest." UMG Records, Inc. v. Veoh Networks
27 Inc., No. 07 C 5744, 2009 WL 334022, at *6 (C.D. Cal. Feb. 2, 2009); Societe Civile Succession

1 Richard Guino v. Int’l Found. for Anticancer Drug Discovery, No. 06 C 01540, 2006 U.S. Dist.
 2 LEXIS 80768, at *19 (D. Ariz. Nov. 3, 2006). However, where a defendant is a high ranking
 3 executive with majority ownership, or receives payments directly related to the infringing activity,
 4 he can be held vicariously liable. See Thoroughbred Software Int’l v. Dice Corp., 439 F. Supp. 2d
 5 758, 769 (E.D. Mich. 2006); Symantec Corp. v. CD Micro, Inc., 286 F. Supp. 2d 1265, 1275 (D. Or.
 6 2003); Playboy Enters. v. Starware Publ’g Corp., 900 F. Supp. 438, 441 (S.D. Fla. 1995).

7 Here, Plaintiffs allege that Defendant Witte received a direct financial benefit from the
 8 infringing activity “[t]hrough Chordiant’s Executive Bonus Plan (‘EBP’), and through contracts to
 9 pay [Witte] bonuses based on the contract value of sales booked for CMD and related products and
 10 services The greater the sales of the infringing CMD product, the greater the financial gain
 11 realized by . . . Mr. Witte under the EBP.” (FAC ¶ 46.)

12 However, upon review of the parties submissions of evidence as to a direct financial benefit,
 13 the Court finds that the bonus plan under which Defendant Witte was paid is not directly and
 14 obviously connected to the alleged infringing activity. In particular, Defendant Witte was paid an
 15 annual salary and a bonus that was computed as a percentage of the salary and was based on a
 16 comparison of the company’s fiscal goals for the year versus the company’s overall actual
 17 performance for that year. (See Kitchen Decl. ¶¶ 7-13, Exs. B-E.) Neither the bonus nor the fiscal
 18 goals against which it was measured were based on any expenses or profits specifically attributable
 19 to CMD; rather, they were based on the company’s overall performance. (Id. ¶ 8.) Furthermore,
 20 Defendant Witte was never paid any profits or commissions for bookings or sales of CMD or any
 21 particular product. (Id. ¶ 7.) Finally, Defendant Witte has never held a majority of Defendant
 22 Chordiant’s outstanding stock. (Id.) Thus, based on the evidence, the Court finds that Plaintiffs are
 23 not able to prove their claim for vicarious copyright infringement against Defendant Witte.¹⁴

24
 25 ¹⁴ To the extent that Plaintiffs contend in their Opposition that their allegations sufficiently
 26 state a claim for *contributory* copyright infringement, the Court finds this contention inapposite to
 27 Defendant Witte’s Motion directed at Plaintiffs’ claim for *vicarious* infringement. (See Opposition
 28 Re Witte at 3-5.) Plaintiffs have not alleged a cause of action against Defendant Witte for
 contributory copyright infringement and there is no legal basis for the Court to construe their current

1 Accordingly, the Court GRANTS Defendant Witte’s Motion.

2 **D. Motions to Exclude Expert Testimony**

3 **1. Dr. Richard G. Cooper**

4 Defendants move “to exclude any testimony or other evidence from Plaintiffs’ technical
5 expert, Richard Cooper” on the ground that Plaintiffs failed to provide an opening or rebuttal report
6 from Dr. Cooper. (Motion Re Dr. Cooper at 1.) To date, Plaintiffs have not filed an Opposition to
7 this Motion.

8 Federal Rule of Civil Procedure 26(a)(2) requires that disclosure of an expert witness include
9 an expert report containing “a complete statement of all opinions the witness will express and the
10 basis and reasons for them.”

11 Upon review of Defendants’ submissions, the Court finds good cause to exclude any
12 testimony or evidence offered by Dr. Cooper. In particular, Dr. Cooper has provided no substantive
13 report in this case. The only report filed by Dr. Cooper was a rebuttal report that, rather than
14 providing an opinion, stated as follows:

15 I conclude that there has been insufficient time for me to review and analyze the
16 material in this case as appropriate for forming responsible opinions. I reserve the right to
17 submit amended reports which further define the issues in this case, and which describe my
18 opinions on relevant technical issues and issues of common practice in the field.¹⁵

19 Expert discovery is closed and yet, Dr. Cooper has not filed any further amended report. The Court
20 finds that Defendants would be significantly prejudiced were Dr. Cooper to now submit a
21 substantive report. Moreover, Plaintiffs offered any justification why they should now be allowed to
22 submit a report by Dr. Cooper at this stage of the case. Thus, the Court finds good cause to exclude
23 any testimony or evidence offered by Dr. Cooper.

24 Accordingly, the Court GRANTS Defendants’ Motion to exclude Dr. Cooper as an expert for
25 Plaintiffs.


26 _____
27 Complaint to allege as such. (See FAC at 10-13.)

28 ¹⁵ (Declaration of Jedediah Wakefield in Support of Defendants’ Motion to Exclude
Testimony or Opinions from Plaintiffs’ Technical Expert Richard G. Cooper, Ex. 1, Docket Item
No. 213.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

- (6) The Court DENIES Defendants' Motion Re Mr. Hampton.
- (7) The Court DENIES Plaintiffs' Motion Re Dr. Faillace.

Dated: December 21, 2009



JAMES WARE
United States District Judge

1 **THIS IS TO CERTIFY THAT COPIES OF THIS ORDER HAVE BEEN DELIVERED TO:**

2 Albert L. Sieber asieber@fenwick.com
3 Antonio Luis Cortes corteslaw@comcast.net
4 Jedediah Wakefield jwakefield@fenwick.com
5 Laurence F. Pulgram lpulgram@fenwick.com
6 Liwen Arius Mah lmah@fenwick.com
7 Mary Elizabeth Milionis Mmilionis@Fenwick.com

8 **Dated: December 21, 2009**

Richard W. Wieking, Clerk

9 **By: /s/ JW Chambers**
10 **Elizabeth Garcia**
11 **Courtroom Deputy**

12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28