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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

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MERIDIAN PROJECT SYSTEMS,
INC.,

Plaintiff,

v.

NO. CIV. S-04-2728 FCD DAD

MEMORANDUM AND ORDER

HARDIN CONSTRUCTION COMPANY,
LLC, and COMPUTER METHODS
INTERNATION CORP.,

Defendants.

_____ /

COMPUTER METHODS INTERNATION
CORP., and HARDIN CONSTRUCTION
COMPANY, LLC,

Counterclaimants,

v.

MERIDIAN PROJECT SYSTEMS,
INC., and JAMES OLSEN, JOHN
BODROZIC, and MIKE CARRINGTON,

Counterdefendants.

_____ /

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1
2 This matter is before the court on plaintiff Meridian
3 Project Systems, Inc.'s ("Meridian") motion for partial summary
4 judgment on its claims of breach of contract and copyright
5 infringement against defendant Hardin Construction Company, LLC
6 ("Hardin"). Defendant Hardin opposes the motion. For the
7 reasons set forth below,¹ plaintiff's motion is GRANTED in part
8 and DENIED in part.²

9 **BACKGROUND**

10 Meridian is a software company that provides software
11 solutions related to the management of physical infrastructure
12

13 ¹ Because oral argument will not be of material
14 assistance, the court orders the matter submitted on the briefs.
E.D. Cal. L. R. 78-230(h).

15 ² Pursuant to a protective order issued by the magistrate
16 judge assigned to this case, the parties submitted all documents
17 relating to plaintiff's motion for partial summary judgment under
18 seal. The court may, on its own motion, unseal portions of the
record. See Encyclopedia Brown Productions, Ltd. v. Home Box
Office, Inc., 26 F. Supp. 2d 606 (S.D.N.Y. 1998); Bijan Designer
for Men, Inc. v. Katzman, 1997 WL 51504 (S.D.N.Y. 1997).

19 On April 3, 2006, the court issued a minute order, informing
20 the parties of its intent to unseal all documents submitted in
relation to this motion and ordering any oppositions by the
21 parties to be filed by April 5, 2006. Plaintiff filed a letter
stating its non-opposition to the unsealing of the documents.
22 (Letter regarding unsealing documents, filed Apr. 5, 2006).
Defendants Hardin and CMIC object only to the unsealing of
23 Exhibit A to the declaration of Scott W. Pink, filed December 23,
2005, due to the disclosure of non-public information that could
24 cause CMIC harm in the marketplace. (Statement of Defs.
regarding unsealing documents, filed Apr. 5, 2006).

25 Accordingly, the court unseals all documents submitted in
26 relation to plaintiff's motion for partial summary judgment,
except Ex. A to the declaration of Scott W. Pink, filed
27 Dec. 23, 2005. (Docket numbers 94-96, 98, 115-121, 139-145 and
159). The court will refer to information contained in this
28 exhibit, but not to any content that discloses information that
defendants assert could cause CMIC harm in the marketplace.

1 management and programs. (Def. Hardin's Resp. to Pl.'s Statement
2 of Undisputed Facts ("RUF"), filed Feb. 3, 2006, ¶ 1). One of
3 Meridian's primary products is a project management software
4 called Prolog Manager ("Prolog"), which enables users to automate
5 all aspects of the construction process, from project design to
6 closeout. (RUF ¶¶ 2-3). Defendant Hardin is a construction
7 company and customer of Meridian for the Prolog product. (RUF ¶
8 16).

9 Starting in 1996, Hardin purchased licenses to use various
10 versions of Prolog Manager. (RUF ¶ 17). As part of its standard
11 practice and policy regarding the license and delivery of Prolog
12 versions 5.1 and 6.0, Meridian sends each customer a standard
13 form box containing a CD loaded with the Prolog software. (RUF ¶
14 21). The box containing the Prolog CD also contains Meridian's
15 applicable End User License Agreement ("EULA") and a user manual.
16 (RUF ¶ 22). The EULA provides restrictions relating to the use
17 of Prolog. (RUF ¶ 30). Hardin had the ability to return the
18 Prolog product if it did not agree with the EULA, but did not do
19 so; Hardin used Prolog in connection with its business since 1996
20 without ever returning a single copy that it had registered and
21 installed. (RUF ¶ 25). Hardin never objected to the terms of
22 the EULA. (RUF ¶ 26).

23 In or around 2000, Hardin first discussed with defendant
24 Computer Methods International Corp. ("CMIC") the possibility of
25 integrating Prolog with CMIC's existing accounting package. (RUF
26 ¶ 33). In late March 2001, however, Hardin's Executive Committee
27 decided to switch from Meridian's project management software,
28 Prolog, to CMIC's project management software. (RUF ¶ 34).

1 Hardin and CMIC discussed producing a document, describing the
2 project management software specifications, that could be
3 included as part of their contract. (Dep. of Danny Philip
4 Bensley, attached as Ex. B to Decl. of Scott W. Pink ("Pink
5 Decl."), filed Jan. 3, 2006, ("Bensley Dep.") at 82:15-23). It
6 was further discussed that a Hardin employee, Chris Wright, would
7 prepare that document. (Id. at 82:24-25).

8 Wright prepared drafts of desired specifications to be
9 included in the Hardin-CMIC contract. (Id. at 269:3-6). On
10 April 12, 2001, Danny Bensley, Chief Information Officer of
11 Hardin, sent Jeff Weiss, Vice President of Sales and Marketing
12 for CMIC, an e-mail containing the drafts prepared by Wright.
13 (Id. at 268:20-269:10). Meridian asserts that the attachments to
14 this e-mail contained over thirty pages of detailed descriptions
15 copied from the Prolog help files. (See Supplemental Decl. of
16 Thomas A. McManus ("Supp. McManus Decl."), filed Feb. 17, 2006, ¶
17 3; Ex. A to Supp. McManus Decl. ("E-mail Attachments")).

18 On April 27, 2001, Hardin and CMIC entered into a Master
19 Software Acquisition Agreement for CMIC's software package. (RUF
20 ¶ 42). This agreement contained several attachments, including
21 an attachment named Schedule H. (RUF ¶ 57). Schedule H is the
22 schedule attached to the CMIC that contains the project
23 management specifications and is also referred to as the project
24 management requirements document. (Bensley Dep. at 90:15-18;
25 Dep. of Jeffrey R. Traeger, attached as Ex. A to Pink Decl.,
26 filed Jan. 3, 2006, ("Traeger Dep.") at 247:12-14, filed under
27 seal). Wright produced the specifications that were incorporated
28 into Schedule H. (Bensley Dep. At 83:4-7). The Schedule H

1 document was signed by Jeffrey Traeger, Senior Vice President for
2 Hardin, and by Jeff Weiss. Meridian asserts that a large
3 portions of the Schedule H document was copied from Prolog's help
4 files text. (See Supp. McManus Decl. ¶ 4).

5 Meridian filed claims against defendant Hardin for breach of
6 contract, breach of the implied covenant of good faith and fair
7 dealing, fraud, interference with contractual relations,
8 intentional interference with prospective economic advantage,
9 unfair competition, and copyright infringement. Meridian's
10 claims for breach of contract and copyright infringement against
11 defendant Hardin are based upon Hardin's alleged copying of
12 Prolog help file language into the e-mail attachments and the
13 Schedule H document. On December 23, 2005, Meridian filed a
14 motion for partial summary judgement. Meridian seeks summary
15 adjudication regarding Hardin's liability for breach of the EULA
16 and for copyright infringement. Meridian does not seek
17 determination of damages for the breach of contract claim, nor
18 determination of the applicability of affirmative defenses
19 available to Hardin for the copyright infringement claim. Hardin
20 opposes the motion.

21 **STANDARD**

22 Pursuant to Rule 56 of the Federal Rules of Civil Procedure,
23 summary judgment is appropriate when "there is no genuine issue
24 as to any material fact and . . . the moving party is entitled to
25 judgment as a matter of law." Fed. R. Civ. P. 56(c). Under this
26 standard, an issue is "genuine" if there is sufficient evidence
27 for a reasonable jury to find for the nonmoving party and a fact
28 is "material" when it may affect the outcome of the case under

1 the substantive law that provides the claim or defense. Anderson
2 v. Liberty Lobby, Inc., 477 U.S. 242, 248-49 (1986). The
3 determination is made based solely upon admissible evidence. Orr
4 v. Bank of America, 285 F.3d 764, 773 (9th Cir. 2002).

5 Furthermore, the court must view inferences made from the
6 underlying facts in the light most favorable to the nonmoving
7 party. Adickes v. S.H. Kress & Co., 398 U.S. 144, 158-59 (1970).

8 The moving party has the initial burden to demonstrate the
9 absence of a genuine issue of material fact. Celotex Corp. v.
10 Catrett, 477 U.S. 317, 323 (1986). If the moving party is
11 without the ultimate burden of persuasion at trial, it may either
12 produce evidence negating an essential element of the opposing
13 party's claim, or demonstrate that the nonmoving party does not
14 have enough evidence to carry its ultimate burden of persuasion
15 at trial. Nissan Fire & Marine Insurance Co. v. Fritz Companies,
16 Inc., 210 F.3d 1099, 1106 (9th Cir. 2000). If the moving party
17 meets this initial requirement, the burden then shifts to the
18 opposing party to go beyond the pleadings and set forth specific
19 facts that establish a genuine issue of material fact remains for
20 trial. Matsushita Elec. Indust. Co. v. Zenith Radio Corp., 475
21 U.S. 574, 585-87 (1986). Summary judgment should not be granted
22 where "there are any genuine factual issues that properly can be
23 resolved only by a finder of fact because they may reasonably be
24 resolved in favor of either party." Anderson, 477 U.S. at 250.

25 Following this same rubric, a court may grant summary
26 adjudication on part of a claim or defense, based on the
27 standards applicable to a motion for summary judgment. See Fed.
28 R. Civ. P. 56(a), (b); State of California v. Campbell, 138 F.3d

1 772, 780 (9th Cir. 1998).

2 **ANALYSIS**

3 **A. Breach of Contract**

4 Plaintiff Meridian moves for partial summary judgment on its
5 claim of breach of contract against defendant Hardin. Meridian
6 seeks to establish only liability through this motion.³ Hardin
7 argues that summary judgment is inappropriate because (1) the
8 Ninth Circuit has not decided whether an End User Licence
9 Agreement ("EULA") of the type used by Meridian is valid and
10 enforceable; (2) plaintiff's contract claims are preempted by the
11 federal Copyright Act; and (3) the terms of the contract are
12 ambiguous and cannot be resolved on a motion for summary
13 judgment.

14 **1. End User License Agreement**

15 Hardin argues that plaintiff's motion for partial summary
16 judgment should be denied because the validity of "shrinkwrap
17 licenses"⁴ has not been decided by the Ninth Circuit. However,
18 the validity of "shrinkwrap licenses" is a question of law, not a
19

20 ³ Hardin asserts in its opposition that summary judgment
21 should not be granted because plaintiff has not presented
22 evidence of damages. However, Meridian brings this motion for
23 the limited purpose of establishing that there was a breach of
contract by defendant. Therefore, evidence of damages is not
dispositive of plaintiff's motion for partial summary judgment.

24 ⁴ "The 'shrinkwrap license' gets its name from the fact
25 that retail software packages are covered in plastic or
26 cellophane 'shrinkwrap,' and some vendors . . . have written
27 licenses that become effective as soon as the customer tears the
28 wrapping from the package." ProCD, Inc. v. Zeidenberg, 86 F.3d
1447, 1449 (7th Cir. 1996). Meridian's EULA does not become
effective upon the tearing of shrinkwrap, but the license is
contained within the packaging of the Prolog software, not on the
outside of the box. As such, courts consider this type of EULA a
"shrinkwrap license." See id.

1 question of fact for the jury. Therefore, this question may
2 properly be resolved on plaintiff's motion for summary judgment.
3 See Local Motion, Inc. v. Niescher, 105 F.3d 1278, 1280 (9th Cir.
4 1997) (citing Hanagami v. China Airlines, Ltd., 688 P.2d 1139,
5 1145 (1984)).

6 Whether contracts such as Meridian's EULA are valid is a
7 much-disputed question. See ProCD, Inc., 86 F.3d 1447; Step-
8 Saver Data Sys., Inc. v. Wyse Tech., 939 F.2d 91 (3d Cir. 1991);
9 Softman Products Co., LLC., v. Adobe Sys., Inc., 171 F. Supp. 2d
10 1075, 1088 (C.D. Cal. 2001). Courts that have found these types
11 of licenses invalid characterize them as contracts of adhesion
12 that are unacceptable pursuant to the Uniform Commercial Code.
13 Softman Products, 171 F. Supp. 2d at 1088 (citing Step-Saver, 939
14 F.2d 91; Vault Corp. v. Quaid Software Ltd., 847 F.2d 255 (5th
15 Cir. 1988))⁵; Klocek v. Gateway, Inc., 104 F. Supp. 2d 1332 (D.
16 Kan. 2000). However, other courts have held that these types of
17 licences are valid and enforceable contracts. See ProCD, 86 F.3d
18 1447 (7th Cir. 1996); see also Lexmark Int'l, Inc. v. Static
19 Control Components, Inc., 387 F.3d 522, 563 n.10 (6th Cir. 2004);
20 Hill v. Gateway 2000, Inc., 105 F.3d 1147 (7th Cir. 1997); Mudd-

21 _____
22 ⁵ These cases are not directly on point with the issue
23 presented by Meridian's EULA in this case. In Softman, the court
24 did not reach the issue of whether "shrinkwrap licenses" were
25 enforceable because the court found that the plaintiff never
26 loaded the software, and thus never assented to the EULA. 171 F.
27 Supp. 2d at 1088. In Step-Saver, the court was presented with a
28 battle-of-the-forms case, in which the parties exchanged forms
with different conditions and obligations, and the court
addressed whether the "shrinkwrap license" controlled. 939 F.2d
91. Finally, in Vault, the court did not reach the issue of the
validity of "shrinkwrap licenses" generally because the court
found that the buyer knew the terms of the license before
purchasing the software. 847 F.2d at 268-70.

1 Lyman Sales & Serv. Corp. v. United Parcel Service, Inc., 236 F.
2 Supp. 2d 907, 911-12 (N.D. Ill. 2002); I. Lan Sys., Inc. v.
3 Netscout Serv. Level Corp., 183 F. Supp. 2d 328 (D. Mass. 2002).
4 In ProCD, the Seventh Circuit held that "shrinkwrap licences" are
5 enforceable, relying on the policy considerations behind such
6 licences. ProCD, 86 F.3d at 1451. The Eastern District of
7 California favorably cited the Seventh Circuit's approach to
8 these types of licences. Pollstar v. Gigimania, Ltd., 170 F.
9 Supp. 2d 974, 980-81 (E.D. Cal. 2000) (finding that a "browse
10 wrap" license may be arguably enforceable and valid). The
11 Northern District of California has also implicitly upheld the
12 validity of licenses similar to plaintiff's EULA. See Adobe Sys.
13 Inc. v. Stargate Software Inc., 216 F. Supp. 2d 1051 (N.D. Cal.
14 2002); Adobe Sys. Inc. v. One Stop Micro, Inc., 84 F. Supp. 2d
15 1086 (N.D. Cal. 2000).

16 In ProCD, the court considered various common transactions
17 where the consumer purchases prior to getting the detailed terms
18 of the contract. ProCD, 86 F.3d at 1450. For example, an
19 insurance buyer remits the premium prior to getting the policy; a
20 traveler reserves a seat, pays and then, receives a ticket, which
21 may contain elaborate terms and conditions, accepted upon use of
22 the ticket; a concert or theater goer also purchases the ticket
23 in advance and agrees to conditions of attending the performance.
24 Id. at 1451. The court noted that these transactions could be
25 structured differently in order to allow the consumer to agree
26 first and pay later, but nonetheless, the contracts are
27 enforceable in the pay first, agree later form. Id.

28 The ProCD court also noted the policy considerations in the

1 software industry. Id. at 1451-52. In particular, the court
2 noted that only a minority of sales take place over the counter,
3 where there are boxes to peruse. Id. at 1451. Rather, many
4 purchases are made over the Internet by consumers who have never
5 seen a box. Id. As such, the reality of the industry lends
6 little support to the argument that the license should not be
7 enforceable because the consumer was not able to read the license
8 on the box before buying the product. Therefore, the Seventh
9 Circuit upheld the validity of the "shrinkwrap license" where the
10 consumer paid first, received the license upon opening the box,
11 and had an opportunity to return the software if the consumer
12 "conclude[d] that the terms of the license make the software
13 worth less than the purchase price." Id. at 1452.

14 The court finds the Seventh Circuit's rationale in ProCD
15 compelling. The EULA is not rendered invalid merely because
16 defendant purchased the Prolog software and then received the
17 EULA after opening the package. There is no dispute that
18 defendant purchased licenses to use various versions of
19 plaintiff's Prolog software. (RUF ¶ 17). Defendant had notice
20 of the EULA, and the EULA was included in the box containing the
21 software and the user manual. (RUF ¶¶ 17, 22). Defendant does
22 not dispute that it had an opportunity to return Prolog to
23 Meridian if it did not agree to the EULA, but did not do so.
24 (RUF ¶ 24). Further, defendant never objected or sought an
25 amendment to the terms of the EULA. (RUF ¶¶ 26-27). Under these
26 facts, this is not an unconscionable contract or a contract of
27 adhesion. Therefore, Meridian's EULA may be an enforceable
28 contract.

2. Preemption by the Copyright Act

Defendant Hardin also argues that even if the EULA is a valid contract, it is preempted by the Copyright Act, 17 U.S.C. § 301(a). The Copyright Act protects the rights of reproduction, preparation of derivative works, distribution, and display. 17 U.S.C. § 106; Altera Corp. v. Clear Logic, Inc., 424 F.3d 1079, 1089(9th Cir. 2005). Section 301 provides, in relevant part, that "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright" are preempted by federal law. 17 U.S.C. § 301. Therefore, in order for claims under state law to be preempted, (1) the work at issue must come within the subject matter of copyright, and (2) the state law rights must be equivalent to the exclusive rights of copyright. Grosso v. Miramax Film Corp., 383 F.3d 965, 968 (9th Cir. 2004).

The dispositive preemption issue in this case is whether the rights protected by Meridian's EULA are equivalent to the rights protected by copyright. To survive preemption, the state law claim must include an "extra element" that makes the right asserted qualitatively different from those protected by the copyright act. Altera Corp. v. Clear Logic, Inc., 424 F.3d 1079, 1089 (9th Cir. 2005) (citing Summit Mach. Tool Mfg. v. Victor CNC Sys., 7 F.3d 1434, 1439-40 (9th Cir. 1993)). In Altera, the Ninth Circuit held that "[a] state law tort claim concerning the unauthorized use of the software's end product is not within the rights protected by the federal Copyright Act." Id. at 1090. The Altera court also noted that "[m]ost courts have held that the Copyright Act does *not* preempt the enforcement of contractual

1 rights." Id. (citing Bowers v. Baystate Techs. Inc., 320 F.3d
2 1317, 1323-24 (Fed. Cir. 2003); Nat'l Car Rental Sys. Inc. v.
3 Computer Assocs. Int'l, 991 F.2d 426, 431 (8th Cir. 1993); ProCD,
4 Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996)); see also
5 Wrench LLC v. Taco Bell Corp., 256 F.3d 446, 457 (6th Cir. 2001);
6 Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488, 1501 (5th Cir.
7 1990); Acorn Structures v. Swantz, 846 F.2d 923, 926 (4th Cir.
8 1988).

9 In reaching its finding of no federal preemption in Altera,
10 the Ninth Circuit found compelling the Seventh Circuit's analysis
11 of a similar issue in ProCD.⁶ Id. at 1089. In ProCD, the
12 Seventh Circuit enforced contractual rights provided by the
13 "shrinkwrap license" which allowed only for the private use of
14 the software. ProCD, 86 F.3d at 1454-55. The court focused its
15 analysis on the purpose of federal preemption; to prevent "states
16 from substituting their own regulatory systems for those of the
17 national government." Id. at 1455. The Seventh Circuit noted
18 that courts usually read preemption clauses to leave private
19 contracts unaffected. Id. at 1454 (citing American Airlines,
20 Inc. v. Wolens, 513 U.S. 219 (1995)). As such, the court
21 analogized that "[j]ust as § 301 [of the Copyright Act] does not
22 itself interfere with private transactions in intellectual
23 property, so it does not prevent states from respecting those
24 transactions." Id. "A copyright is a right against the world.
25 Contracts, by contrast, generally affect only their parties;

26
27 ⁶ The Ninth Circuit also favorably discussed the Eight
28 Circuit's finding of no federal preemption in National Car Rental
System, 991 F.2d at 432, where the court distinguished between use
and reproduction. Altera, 424 F.3d at 1089-90.

1 strangers may do as they please, so contracts do not create
2 'exclusive rights.'" Id. at 1454. The "extra element" was the
3 mutual assent and consideration required by a contract claim.
4 See id.; see also Bowers, 320 F.3d at 1325. Therefore, the
5 enforcement of the "shrinkwrap license" involved in that case did
6 not interfere with the "attainment of national objectives" within
7 the domain of § 301(a). Id. at 1455.⁷

8 In this case, Hardin seeks to dismiss Meridian's breach of
9 contract claim on the basis of federal preemption. However,
10 Meridian seeks to enforce the terms of its EULA through this
11 action, very similar to the type of license analyzed by the
12 Seventh Circuit in ProCD. See id. at 1455. This type of license
13 is "a simple two-party contract" that, whether general or
14 restrictive, "is not 'equivalent to any of the exclusive rights
15 within the general scope of copyright,'" and therefore may be
16 enforced." Id.

17 Meridian also argues that the breach of contract claim is
18 not preempted because the EULA prohibits defendant from reverse
19 engineering the Prolog product. Reverse engineering is not
20 within the scope of the exclusive rights of copyright. See 17
21 U.S.C. § 106. Section 2(b) of the EULA provides that the
22 licensee agrees not to reverse engineer the Software. (Traeger
23 Dep. at 234:22-235:10, filed under seal). To the extent that
24 Meridian's EULA prohibits reverse engineering by defendant
25

26 ⁷ The Seventh Circuit did acknowledge that some
27 applications of the law of contract could interfere with the
28 attainment of nations objectives and thus come within the domain
of § 301(a). Id. However, general enforcement of the
"shrinkwrap license" did not present such a problem. Id.

1 Hardin, plaintiff's breach of contract claim is also not
2 preempted because the contract protects a qualitatively different
3 right than those protected by the Copyright Act. Bowers, 320
4 F.3d at 1324-25.

5 **3. Terms of the Contract**

6 Finally, defendant contends that summary judgment is
7 inappropriate because the terms of the EULA are ambiguous. Under
8 California law, interpretation of a contract is an issue of law
9 if "(a) the contract is not ambiguous; or (b) the contract is
10 ambiguous but no parole evidence is admitted or the parole
11 evidence is not in conflict." Centigram Argentina, S.A. v.
12 Centigram Inc., 60 F. Supp. 2d 1003, 1007 (N.D. Cal. 1999)
13 (citing WYDA Assocs. v. Merner, 42 Cal. App. 4th 1702, 1710
14 (1996). Whether a contract provision is ambiguous is a question
15 of law. "[W]hen two equally plausible interpretations of the
16 language of a contract may be made parole evidence is admissible
17 to aid in interpreting the agreement." Centigram Argentina, 60
18 F. Supp. 2d at 1007 (internal quotations omitted). Further, a
19 party may present extrinsic evidence to show that a facially
20 unambiguous contract is susceptible of another interpretation.
21 Maffei v. Northern Ins. Co., 12 F.3d 892, 898 (9th Cir. 1993)
22 (citing Brobeck, Phleger & Harrison v. Telex Corp., 602 F.2d
23 866, 873 (9th Cir. 1979). If a contract provision is ambiguous,
24 summary judgment is generally improper "because differing views
25 of the intent of parties will raise genuine issues of material
26 fact." Id. (citing United States v. Sacramento Mun. Util. Dist.,
27 652 F.2d 1341, 1344 (9th Cir. 1981)).

28 /////

1 Meridian contends that Hardin copied Meridian's "help files"
2 and attached them as part of the e-mail attachments sent to
3 defendant CMIC and included them in the Schedule H document.
4 Meridian asserts that Hardin breached the EULA in doing so
5 because it copied and distributed copies of Prolog "Software or
6 Documentation" as prohibited by section 2(a) of the EULA. Hardin
7 contends that it is unclear that the "help files" are either part
8 of Meridian's "Software" or "Documentation" under the terms of
9 the EULA.

10 In support of its contention that the terms of the EULA is
11 ambiguous, Hardin cites to the EULA. Section 1 of the EULA
12 provides that the licensee is supposed to use the "software in
13 accordance with the Documentation." Hardin also points statements
14 made by plaintiff's director of operations, J.R. Hamel, that
15 Meridian sends each customer a box containing a CD loaded with
16 Prolog software. (Declaration of J.R. Hamel in Supp. of Mot. For
17 Summ. J. ("Hamel Decl."), filed Dec. 23, 2005, ¶ 9). Hardin
18 contends that if the CD contains the "Software," the
19 "Documentation" must be the user manual and EULA also provided in
20 the box. Therefore, Hardin argues that copying language from a
21 computer screen (specifically the "help files") neither involves
22 copying the "Software" or the "Documentation."

23 Hardin also presents the deposition of its vice-president,
24 Jeff Traeger, which stated that a Hardin employee probably copied
25 portions of Prolog into the e-mail attachments sent to CMIC.
26 (Traeger Dep. at 253:21-23, filed under seal). However, Traeger
27 also denied that Hardin sent copies of the software to CMIC
28 because he believed that action would violate the EULA. (Id. at

1 225:8-14, filed under seal). Hardin argues that these
2 statements, taken together, demonstrate that Hardin did not
3 intend or understand the term "Software" to include help file
4 text that appeared on the computer screen.

5 _____Meridian argues that the "help files" text is both
6 "Software" and "Documentation." The text is "Software" because
7 it is part of the on-screen tutorial that is contained within the
8 Prolog software and the text is "Documentation" because such
9 files are an on-screen document that accompanies the software.
10 Meridian's own argument demonstrates the ambiguity of the terms
11 included in its EULA. Meridian argues that any ambiguity is
12 meaningless because the "help files" can be considered *either*
13 "Software" or "Documentation" or can be considered to be *both*
14 "Software" and "Documentation."

15 However, the court finds that the help files could also be
16 considered *neither* "Software" or "Documentation." Defendant
17 Hardin has presented evidence indicating that it did not
18 understand or interpret the EULA to encompass the "help files"
19 text as either "Software" or "Documentation." As such, it has
20 raised an ambiguity regarding the meaning of the terms in the
21 EULA as applied to the help files at issue. This ambiguity
22 precludes the court from interpreting the terms of the contract
23 on a motion for summary judgment. See Maffei v. Northern Ins.
24 Co., 12 F.3d at 898. Therefore, plaintiff's motion for summary
25 judgment for its breach of contract claim against defendant
26 Hardin is DENIED.

27 /////

28 /////

1 **B. Copyright Infringement**

2 Plaintiff Meridian also moves for partial summary judgment
3 on its claim of copyright infringement against defendant Hardin.
4 Meridian seeks summary adjudication on the issue of whether
5 defendant Hardin infringed upon plaintiff's copyright in the
6 Prolog software when it allegedly copied portions of Prolog's
7 help files text into e-mail attachments sent to defendant CMIC
8 and into the Schedule H document. Plaintiff does not seek
9 adjudication of defendant Hardin's affirmative defenses, such as
10 fair use, to the alleged infringement. Because defendant's
11 affirmative defenses were not raises in plaintiff's initial
12 summary judgment motion, the court will not address the issues
13 raised by the affirmative defenses; those defenses remain viable
14 in the litigation. See Stillman v. Travelers Ins. Co., 88 F.3d
15 911, 913-14 (11th Cir. 1996); Books a Million, Inc. v. H & N
16 Enterprises, Inc., 140 F. Supp. 2d 846, 851 (S.D. Ohio 2001).

17 The Copyright Act gives the holder of a registered copyright
18 a right to sue. 17 U.S.C. § 501(b). To prevail on a claim of
19 copyright infringement, the plaintiff must prove (1) ownership of
20 a valid copyright, and (2) copying of constituent elements of the
21 work that are original. Feist Publications, Inc. v. Rural Tel.
22 Serv. Co., 499 U.S. 340, 361 (1991) (citing Harper & Row,
23 Publishers, Inc. v. Nation Enters., 471 U.S. 539, 548 (1985)).
24 Defendant Hardin contends that plaintiff does not have a valid
25 copyright in the help files text at issue because it not
26 "protectable expression." Hardin also contends that summary
27 judgment is improper because issues of fact remain regarding the
28 copying of plaintiff's help files.

1 **1. Valid Copyright**

2 To qualify for copyright protection, the work must be (1)
3 copyrightable subject matter; 2) original to the author; and (3)
4 fixed in a tangible medium of expression. See Feist, 499 U.S. at
5 348. Under the Copyright Act, a registration certificate is
6 *prima facie* evidence of the validity of the copyright and the
7 facts stated in the certificate. 17 U.S.C. § 410(c); Johnson
8 Controls, Inc. v. Phoenix Controls Sys., Inc., 886 F.2d 1173,
9 1175 (9th Cir. 1989). Meridian's Prolog Manager 5.1 has been
10 registered with the U.S. Copyright Office. (RUF ¶ 8; Ex. A to
11 Declaration of Gabriel Nacht in Supp. of Mot. for Summ. J., filed
12 Dec. 23, 2005). This registration is *prima facie* evidence of
13 ownership by Meridian and of originality. See Johnson, 886 F.2d
14 at 1175. Defendant Hardin does not dispute that the Prolog
15 software was fixed in a tangible medium of expression.

16 **2. Copying**

17 In order for plaintiff to prevail on its claim of copyright
18 infringement, it must present evidence of copying by defendant
19 Hardin. Apple Computers, 35 F.3d at 1442. "Copying may be shown
20 by circumstantial evidence of access and substantial similarity
21 of both the general ideas and expression between the copyrighted
22 work and the allegedly infringing work." Id. In this case,
23 access is clear. Defendant Hardin licensed the Prolog program
24 from plaintiff Meridian. (RUF ¶ 17). Hardin used Prolog in
25 connection with its business since 1996. (RUF ¶ 25). Therefore,
26 the gravamen of the parties' dispute revolves on the analysis of
27 substantial similarity.

28 /////

1 The Ninth Circuit has established a two-part test for
2 analyzing whether copying sufficient to constitute infringement
3 has taken place. Id.; Krofft, 562 F.2d at 1164. The test
4 involves both an "extrinsic" and "intrinsic" component. Id. The
5 extrinsic prong requires an analysis of the similarity of ideas
6 and expression based upon external criteria, such as analytic
7 dissection and expert testimony. Id. The intrinsic prong
8 requires the analysis of the similarity of expression from the
9 standpoint of the ordinary reasonable observer without expert
10 assistance. Id. The intrinsic prong is a subjective test of
11 expression. Id.

12 The Ninth Circuit has held that the extrinsic analysis
13 should be performed by the court as the initial inquiry in
14 determining whether illicit copying took place because the
15 inquiry will define the scope of copyright protection before
16 considering the work as a whole. Id. at 1443 (citations
17 omitted). The Ninth Circuit has also set forth a three step
18 analysis to guide courts in the discussion of the extrinsic
19 component of the test. Id. First, "the plaintiff must identify
20 the *source* of the alleged similarity between his work and the
21 defendant's work." Id. Second, "the court must determine
22 whether any of the allegedly similar features are protected by
23 copyright." Id. Third, the court must set the appropriate
24 standard for a subjective comparison of the works, depending on
25 whether the copyright protection is "broad" or "thin." Id.

26 Defendant Hardin asserts that plaintiff is claiming
27 exclusive ownership over concepts such as "request for
28 information" and "submittals." Hardin contends that these

1 concepts are not protected by plaintiff's copyright. However,
2 defendant misstates the basis of Meridian's copyright
3 infringement claim. Meridian's claim of copyright infringement
4 is based upon Hardin's alleged copying of the Prolog program's
5 help files text in its attachments e-mailed to CMIC and in the
6 Schedule H document.

7 Meridian's claims are not based upon infringement of an
8 idea, which is clearly not within the scope of copyright
9 protection. See Feist, 499 U.S. at 344-45 (1991) ("The most
10 fundamental axiom of copyright law is that 'no author may
11 copyright his ideas or the facts he narrates.'" (quoting Harper
12 & Row, 471 U.S. at 556). Rather, Meridian's claim is based upon
13 infringement of the expression of idea, specifically, the manner
14 in which it chose to convey the facts set forth in the help files
15 text. The original expression of an idea is protected by
16 copyright. See id. at 348 ("Others may copy the underlying facts
17 from the publication, but not the precise words used to present
18 them.").

19 Although the manner in which facts are expressed is
20 protected by copyright, the extent of protection may be narrowed
21 by other limiting doctrines. The primary objective of copyright
22 is "[t]o promote the Progress of Science and useful Arts." Art.
23 I., § 8, cl. 8.; Twentieth Century Music Corp. v. Aiken, 422 U.S.
24 151, 156 (1975). Feist, 499 U.S. at 349. "To this end, copyright
25 assures authors the right to their original expression, but
26 encourages others to build freely upon the ideas and information
27 conveyed by a work." Feist, 499 U.S. at 349-50. This principle
28 is known as the idea/expression dichotomy and applies to all

1 works of authorship. Id. at 350. "The scope of protection or
2 the degree of substantial similarity required to show
3 infringement will vary according to the type of work and the
4 ideas expressed in it." Smart Inventions, Inc. v. Allied
5 Communications Corp., 94 F. Supp. 2d 1060, 1066 (C.D. Cal. 2000)
6 (quoting Landsberg v. Scrabble Crossword Game Players, Inc., 736
7 F.2d 485, 488 (9th Cir. 1984). The idea/expression dichotomy
8 serves to severely limit the scope of protection in fact-based
9 works. Feist, 499 U.S. at 350. "Some ideas can be expressed in
10 myriad ways, while others allow only a narrow range of
11 expression." Landsberg, 736 F.2d at 488. Authors that convey
12 facts in original works often can only choose from a narrow range
13 of expression. Similarly, "a subsequent author wishing to
14 express the same facts will probably be required to use similar
15 language." Smart Inventions, 94 F. Supp. 2d at 1066. Therefore,
16 the scope of protection afforded factual works is thin. Id.;
17 Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435, 1442 (9th
18 Cir. 1994) ("[C]onsidering the . . . limited number of ways that
19 the basic ideas of the Apple GUI can be expressed differently, we
20 conclude that only 'thin' protection . . . is appropriate.").

21 The Ninth Circuit also recognizes the application of
22 limiting doctrines that narrow the scope of copyright protection
23 available to certain works. The merger doctrine serves as one
24 such limitation. Apple Computer, 35 F. 3d at 1444. "When an
25 idea or an expression are indistinguishable, or 'merged,' that
26 expression will only be protected against nearly identical
27 copying." Id. (citing Sid & Marty Krofft Television Prods., Inc.
28 v. McDonald's Corp., 562 F.2d 1157, 1167-68 (9th Cir. 1977);

1 Herber Rosentahl Jewelry Corp. v. Kalpakian, 446 F.2d 738, 742
2 (9th Cir. 1971)). The Ninth Circuit explained that the limiting
3 doctrine of *scenes a faire* is closely related to the merger
4 doctrine.⁸ Id. The *scenes a faire* doctrine provides that where
5 certain features are, as a practical matter indispensable, or at
6 least standard, in the treatment of a given issue, they are
7 treated like ideas. Frybarger v. Int'l Bus. Machines Corp., 812
8 F.2d 525 (9th Cir. 1987). "[T]he mere indispensable expression
9 of these ideas . . . may be protected only against virtually
10 identical copying." Id.; Rachel v. Banana Republic, Inc., 831
11 F.2d 1503, 1507 (9th Cir. 1987).

12 At issue in this case, is the protection afforded to
13 Meridian's help files text in the Prolog program. Such text is
14 entitled to at least some protection. See Harper House, Inc v.
15 Thomas Nelson, Inc., 889 F.2d 197, 205 (9th Cir. 1989) (finding
16 the text of instructions protectable by copyright). Meridian
17 presents evidence that Prolog's help files provide text
18 describing the features, functions, and operations of the
19 program, including their selection, sequence, and organization.

21 ⁸ Defendant Hardin argues that the *scenes a faire*
22 doctrine applies to the facts of this case. Plaintiff Meridian
23 interprets this doctrine as an affirmative defense, which was not
24 raised in their initial motion for summary judgment and
25 therefore, should not be addressed by the court on this motion.
26 However, the merger doctrine and the related *scenes a faire*
27 doctrine serve as limiting principles that narrow the extent of
28 copyright protection, not as affirmative defenses. As such, the
court will address these arguments because they directly relate
to plaintiff's motion for partial summary judgment regarding
copyright infringement. However, the court does not find that
mere application of the doctrine precludes a motion for summary
judgement as suggested by defendant. Rather, application of the
doctrine serves to establish the appropriate standard needed to
prove copying.

1 (Hamel Decl. ¶ 10). In presenting such evidence, plaintiff
2 itself demonstrates that the help files text is a fact-based work
3 that describes ideas. (Id.) Because the expression set forth in
4 the help files text are intertwined with the ideas conveyed
5 through the text, to give Meridian broad copyright protection
6 over the text would be to confer a monopoly of the ideas
7 expressed in the text upon the copyright owner, in violation of
8 17 U.S.C. 102(b). Shaw v. Lindheim, 919 F.2d 1353, 1360 (9th
9 Cir. 1990). Subsequent authors wishing to convey the same facts
10 as those described in Meridian's help files text can only choose
11 from a narrow range of expression. See Landsberg, 736 F.2d at
12 488. Because the range of protectable and unauthorized
13 expression is narrow, the Prolog help files text at issue is
14 closer akin to a game strategy book. See id. In this context,
15 "similarity of expression may have to amount to verbatim
16 reproduction or very close paraphrasing before a [] work will be
17 deemed infringed." Id.; see Apple Computer, 35 F.3d at 1439
18 ("When the range of protectable and unauthorized expression is
19 narrow, the appropriate standard for illicit copying is virtual
20 identity.") Thus, because it is entitled to only "thin"
21 protection, to demonstrate infringement, plaintiff must produce
22 evidence that defendant's works are virtually identical to
23 Meridian's works.

24 Meridian argues that this case should be governed by the
25 substantial similarity standard. In support of this position,
26 Meridian argues that the help files do not describe general
27 industry processes, but the unique way in which Prolog operates.
28 However, this distinction is irrelevant. Under either

1 circumstance, the "help files" text describes facts and ideas,
2 which Meridian's copyright cannot protect. Only the expression
3 of these facts is protected, and for the reasons set forth above,
4 such expression is entitled to only thin copyright protection.

5 In order to prevail on its claim of copyright infringement
6 arising out of defendant Hardin's alleged copying of Prolog's
7 help files text, Meridian must show that defendant's e-mail
8 attachments and Schedule H document are virtually identical in
9 both ideas and expression to the help files text. The intrinsic
10 analysis requires the court to evaluate the similarity of
11 expression from the standpoint of the ordinary reasonable
12 observer. Apple Computer, 35 F.3d at 1442. This is a subjective
13 analysis, conducted without expert assistance. Id. Summary
14 judgment for plaintiff in this case can only be granted if no
15 reasonable trier of fact could find that the allegedly infringing
16 works were not virtually identical to the Prolog help files text.

17 The court must compare the Prolog help files text as a
18 whole⁹ to the allegedly infringing works.¹⁰ The court turns first
19

20 ⁹ Meridian asserts that the court should compare only the
21 "applicable" help files to the allegedly infringing work. The
22 court is not persuaded by this argument. The help files text can
23 be analogized to an instruction manual or handbook. While the
24 court may consider the selected similarities between one handbook
25 and another infringing work, the court must also compare the
26 handbook as a whole. See Landsberg, 736 F.2d at 489. Therefore,
27 the court must examine the entirety of the help files.

28 ¹⁰ Defendant Hardin argues that the court should compare
the Prolog software in its entirety to the Hardin-CMIC contract
in its entirety. The court is not persuaded by this argument.
The applicable protected material in this case is plaintiff's
Prolog help files, not the Prolog software in its entirety.
Therefore, the protected material to be examined by the court is
the text of the help files. Likewise, the alleged infringing

(continued...)

1 to the comparison between the help files text and the documents
2 sent as attachments in defendant Hardin's e-mail to CMIC. See
3 (Ex. C to Supplemental Briefing per Mar. 31, 2006 Minute Order,
4 filed Mar. 31, 2006 ("Help Files"); E-mail Attachments). Almost
5 every page of the e-mail attachments contains verbatim copying of
6 plaintiff's help files. (E-mail attachments). Only 4 pages of
7 the 38 page document do not contain verbatim copying from
8 Prolog's help files. (Id. at H00897, H00912, H00915, H00919).
9 Of the remaining 34 pages, only 2 contain less than half a page
10 of verbatim copying from Prolog's help files. The e-mail
11 attachments include the same structure, phrasing, and vocabulary
12 as the help files text.¹¹ Further, the e-mail attachments
13 replicate verbatim the "notes" and "tips" provided by the Prolog
14 help files text. Finally, the e-mail attachments actually
15 reference "Prolog manager" at times, as opposed to inserting the
16 phrase "the system" in its place, as defendant's did in other
17 sections of the document. (See e.g., id. at H00899, H00901,
18 H00903, H00905-07, H00013-14).

19 /////
20

21 ¹⁰ (...continued)
22 work is the Schedule H document attached to the Hardin-CMIC
23 contract, not the contract in its entirety. The parties do not
24 dispute that this document, describing the requirements of the
25 project management software, was prepared separately from the
26 other aspects of the contract. (Bensley Dep. at 82:18-84:18).
27 The Schedule H document is a discrete attachment. As such, the
28 court will compare the help files in their entirety to Schedule
H.

26 ¹¹ While the court cannot comment upon the actual ordering
27 of the help files text as it appears in the program, within each
28 printed page the ordering is the exactly the same as set forth in
the e-mail attachments. Only the spacing, text size, and bullet
point preference is different in most cases.

1 Hardin argues that the portion of the help files text that
2 may have been copied is insubstantial in light of the work as a
3 whole. However, the Supreme Court has held that in analyzing the
4 portion of the copyrighted work, courts should evaluate "the
5 qualitative nature of the taking." Harper & Row, Publishers,
6 Inc. v. Nation Enterprises, 471 U.S. 539, 564-65 (1985). "[T]he
7 fact that a substantial portion of the infringing work was copied
8 verbatim is evidence of the qualitative value of the copied
9 material, both to the originator and to the plagiarist." Id. at
10 565. In view of the key role performed by plaintiff's protected
11 work in the e-mail attachments, the court cannot find that
12 defendants took an insubstantial portion of plaintiff's original
13 language. See id. at 566.

14 Based upon its comparison between the help files text and
15 the e-mail attachments, the court concludes that no reasonable
16 juror could find that the e-mail attachments were not copied
17 verbatim from the help files, and thus, a reasonable juror must
18 find that the attachments are virtually identical. Therefore,
19 plaintiff's motion for summary judgment regarding infringement as
20 to defendant's e-mail attachments is GRANTED. However, this
21 finding does not preclude defendant from asserting any
22 affirmative defenses that may apply to this claim and may negate
23 liability.

24 The court now turns to the comparison between plaintiff's
25 help files text and Schedule H. (Help Files; Supplemental
26 Briefing per Mar. 30, 2006 Minute Order, filed Mar. 31, 2006
27 ("Schedule H")). While 15 pages of the 18 page document referred
28 to as Schedule H contain some similarities with the Prolog help

1 files, the similarities are not nearly as striking as in the e-
2 mail attachments. Many of the 15 pages that contain similar text
3 only contain a small amount of similar text. (See, e.g., id. at
4 CMiC00496, CMiC00498, CMiC00500, CMiC00501, CMiC00503, CMiC00506,
5 CMiC00507, CMiC00508). Further, within the similar text in
6 Schedule H, there are differences in the style, organization, and
7 phrasing of the expressed ideas. The Schedule H document also
8 contains numerous subject headings that are not cross-referenced
9 to Prolog help files headings. (See Ex. A to Decl. Of Thomas A.
10 McManus, filed Jan. 3, 2006 ("McManus Decl.")). Given these
11 differences, the court cannot find as a matter of law that the
12 Schedule H document is virtually identical to the Prolog help
13 files. A reasonable juror could conclude that defendant's
14 Schedule H document does not infringe plaintiff's copyright in
15 the protected help files text. Therefore, plaintiff's motion for
16 partial summary judgment regarding copyright infringement based
17 upon defendant's Schedule H document is DENIED.

18 **CONCLUSION**

19 For the reasons stated herein, plaintiff's motion for
20 partial summary judgment against defendant Hardin is GRANTED in
21 part and DENIED in part.

22 IT IS SO ORDERED.

23 DATED: April 5, 2006.

24 /s/ Frank C. Damrell Jr.
25 FRANK C. DAMRELL, Jr.
26 UNITED STATES DISTRICT JUDGE
27
28