

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO

E-STEPS, LLC

Plaintiff

vs

AMERICAS LEADING FINANCE,  
LLC; TRAKSECURE CORP.;  
NICOLAS KOGAN, JANE DOE and  
their conjugal partnership; CAROLA  
ACUM, JOHN DOE and their  
conjugal partnership; VICTOR  
GARCIA PORRATA, SUSAN ROE  
and their conjugal partnership; LUIS  
O'FARRIL, JANE ROE and their  
conjugal partnership;  
CORPORATION ABC;  
PARTNERSHIP DEF; LIMITED  
LIABILITY COMPANY GHI

Defendants

CIVIL 19-1637CCC

**OPINION AND ORDER**

On July 2, 2019, plaintiff e-Steps, LLC filed a Complaint (d.e. 1) against America's Leading Finance, LLC ("ALF"), Traksecure, Corp. ("Traksecure"), and employees and executives of each company for copyright infringement, violations of the Defense Trade Secrets Act ("DTSA"), and claims under Puerto Rican law. The claims relate to "Total Control GPS," a vehicle tracking software program that plaintiff developed and that was allegedly copied by defendants. Before the Court are ALF's Motion to Dismiss (**d.e. 18**) filed July 19, 2019 and co-defendants Traksecure, Víctor García Porrata, Luis O'Farril, Conjugal Partnership García Roe, and Conjugal Partnership O'Farril Roe's Motion to Dismiss (**d.e. 34**) filed August 16, 2019. Both Motions to Dismiss make essentially the same arguments: that plaintiff failed to state

CIVIL 19-1637CCC

2

a valid claim for copyright infringement under FRCP 12(b)(6), and that the Court lacks subject matter jurisdiction over the DTSA claim under FRCP 12(b)(1).

## **I. STANDARD OF REVIEW**

FRCP 12(b)(1) “provides the vehicle by which a party may challenge the court's subject matter jurisdiction.” UBS Financial Services Inc. v. Asociacion de Empleados del Estado Libre Asociado de Puerto Rico, 223 F.Supp. 3d 134, 136-37 (D.P.R. 2016). When reviewing motions to dismiss under Rule 12(b)(1), courts follow a similar standard to other motions under Rule 12(b) and “credit the non-movant's well-pled factual allegations and draw all reasonable inferences in the non-movant's favor.” Id. “If it appears at any time that the Court lacks the statutory or constitutional power to adjudicate the case, the suit must be dismissed.” Id.; Arbaugh v. Y&H Corp., 546 U.S. 500, 514 (2006).

“To survive a motion to dismiss [under Rule 12(b)(6)], a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’ A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged. The plausibility standard is not akin to a ‘probability requirement,’ but it asks for more than a sheer possibility that a defendant has acted unlawfully.” Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (citing Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007)). The Court must accept all non-conclusory factual allegations in the Complaint as

CIVIL 19-1637CCC

3

true, and draw any reasonable inferences in favor of the plaintiff. Ocasio-Hernandez v. Fortuno-Burset, 640 F.3d 1, 12 (1st Cir. 2011).

## II. APPLICABLE LAW

### A. Copyright

In order to establish a claim for copyright infringement, the plaintiff bears the burden of showing “(1) ownership of a valid copyright, and (2) [unauthorized] copying of constituent elements of the work that are original.” Lotus Dev. Corp. v. Borland Int'l, Inc., 49 F.3d 807, 813 (1st Cir.1995), aff'd by an equally divided court, 516 U.S. 233 (1996) (quoting Feist Public'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 361 (1991)).

“To show ownership of a valid copyright, a plaintiff bears the burden of proving that the work, when viewed as a whole, is original and that he has complied with the requisite statutory formalities.” Saenger Org., Inc. v. Nationwide Ins. Licensing Assocs., Inc., 119 F.3d 55, 59 (1st Cir. 1997). A certificate of copyright registration is prima facie evidence that the registered material is copyrightable, and shifts the burden to the defendant to demonstrate why the copyright is not valid. Id.; 17 U.S.C. § 410(c). The types of works subject to copyright protection are limited by 17 U.S.C. § 102(b):

- (b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

The seminal case is Baker v. Selden, 101 U.S. 99 (1879), which concerned copyright protection for an accounting system described in the plaintiff's book.

CIVIL 19-1637CCC

4

The Court found that while the specific words the author used to describe the accounting system were copyrighted, the system itself could not be copyrighted; this type of work “can only be secured, if it can be secured at all, by letters-patent.” Id. at 104.

In addition, “[t]he doctrine of scènes à faire denies copyright protection to elements of a work that are for all practical purposes indispensable, or at least customary, in the treatment of a given subject matter.” Coquico, Inc. v. Rodriguez-Miranda, 562 F.3d 62, 68 (1st Cir. 2009).

Once ownership of a valid copyright has been established, the plaintiff must establish copying. “[T]he plaintiff must show that his work was ‘actually copied,’ either by ‘direct evidence of copying or by indirect evidence, including access to the copyrighted work, similarities that are probative of copying between the works, and expert testimony.’” Laureyssens v. Idea Grp., Inc., 964 F.2d 131, 140 (2d Cir. 1992).” After establishing actual copying, the plaintiff must also show that the allegedly infringing work bears “substantial similarity” to the copyrighted work. Id.

“It is well settled by now that computer programs are afforded copyright protection as literary works.” Lotus, 49 F.3d at 813. “Literal” copying cases, where the source code or object code of a program is copied word for word, are relatively straightforward. However, courts have struggled to apply copyright protections to the “nonliteral” or non-written aspects of computer programs. The difficulty lies in distinguishing between the expressive aspects of computer programs, which can be protected, and functional aspects, which cannot.

CIVIL 19-1637CCC

5

The controlling case in the First Circuit is Lotus, 49 F.3d. In Lotus, the defendant admitted that it had directly copied a menu command hierarchy from the plaintiff's software. Defendant had therefore not independently developed the menu command hierarchy, and the two hierarchies were more than merely substantially similar -- they were identical. Despite the uncontested evidence of copying, the Court held that a menu command hierarchy is not copyrightable because it is a "method of operation" under 17 U.S.C. § 102(b). The Court stated that while the menu command hierarchy might contain some expressive aspects, such as the names assigned to different commands, the fact that it was a method of operation rendered its expressive aspects uncopyrightable. While other circuits have declined to follow Lotus' holding that "anything that performs a function is necessarily uncopyrightable," Oracle Am., Inc. v. Google Inc., 750 F.3d 1339, 1357 (Fed. Cir. 2014), this interpretation of copyright law controls in the First Circuit.

A party who does not personally violate a copyright may be liable for acts of infringement by third parties when it "infringes contributorily by intentionally inducing or encouraging direct infringement" or "infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it." Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 930 (2005).

#### **B. Defense Trade Secrets Act**

The Defense Trade Secrets Act ("DTSA") provides that "[a]n owner of a trade secret that is misappropriated may bring a civil action under this

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