UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SMALL JUSTICE, LLC and RICHARD A. GOREN, Plaintiffs, v. XCENTRIC VENTURES, LLC, Defendant.	Case No. 1:13-CV-11701 **MOTION TO DISMISS**

Pursuant to Fed. R. Civ. P. 12(b)(1) Defendant XCENTRIC VENTURES, LLC ("Xcentric") respectfully moves the Court for an order dismissing this matter without prejudice on the basis that the Court lacks subject matter jurisdiction over this case.

I. INTRODUCTION

At the core of this case is a simple question—can a plaintiff use a theory of copyright infringement to force a website operator to remove content critical of the plaintiff?[1] Given the facts of this case, the answer is clearly no. This is so because the work at issue here is owned *by* Xcentric, not by either Plaintiff. Furthermore, the process that Plaintiff Richard A. Goren used while attempting to acquire ownership of the copyright is expressly prohibited by the Copyright Act itself; *a fortiori* Plaintiffs are *not* the owner of the copyrighted work at issue here and thus neither of them has standing to sue for infringement.

[1] Pursuant to the Communications Decency Act, 47 U.S.C. § 230(c)(1) (the "CDA"), website owners like Xcentric are immune from most types of claims arising from third party content. *See*, *e.g.*, *Global Royalties, Ltd. v. Xcentric Ventures, LLC*, 544 F.Supp.2d 929 (D.Ariz. 2008) (holding Xcentric entitled to CDA immunity despite its refusal to remove user-generated content). However, the CDA does not apply to federal intellectual property claims like copyright infringement. *See* 47 U.S.C. § 230(e)(2).

II. ARGUMENT

a. Legal Standard

Due to the Constitutional limits imposed by Article III, "Every plaintiff bringing suit in federal court must establish Article III standing." *Blum v. Holder,* ___ F.Supp.2d ___, 2013 WL 1097818, *6 (D.Mass. Mar. 18, 2013) (citing *Nat'l Org. for Marriage v. McKee*, 649 F.3d 34, 46 (1st Cir. 2011)). Without Article III standing, a federal court lacks subject matter jurisdiction to decide the case. *See Libertad v. Welch*, 53 F.3d 428, 436 (1st Cir. 1995) (noting, "If a plaintiff lacks standing to bring a matter before a [federal] court, the court lacks jurisdiction to decide the merits of the underlying case.") (citing *United States v. AVX Corp*., 962 F.2d 108, 113 (1st Cir. 1992)). It is always a federal plaintiff's burden to establish subject matter jurisdiction in each case. *See Murphy v. United States*, 45 F.3d 520, 522 (1st Cir. 1995) (noting courts must be ""mindful that the party invoking the jurisdiction of a federal court carries the burden of proving its existence.'"), *cert. denied*, 515 U.S. 1144, 115 S.Ct. 2581 (1995) (quoting *Taber Partners, I v. Merit Builders, Inc.*, 987 F.2d 57, 60 (1st Cir. 1993)). When a motion to dismiss is jurisdictional in nature, the plaintiff's pleadings are not "accepted as true for the purposes of the motion." *Wells Real Estate v. Greater Lowell Bd. of Realtors*, 850 F.2d 803, 812 (1st Cir. 1988) (distinguishing standards for Rule 12(b)(1) and 12(b)(6) motions).

In an action for copyright infringement such as this, standing requires the plaintiff to show, *inter alia*, that he actually owns the work allegedly infringed. "If a claimant does not own a copyright, the claimant does not have standing to sue for infringement of the exclusive rights belonging to the owner … . Standing to assert a copyright claim is a jurisdictional requirement, and the Court must dismiss an action for lack of subject matter jurisdiction if it determines the plaintiff lacks standing." *Giddings v. Vision House Prod., Inc.*, 584 F.Supp.2d 1222, 1228–29

(D.Ariz. 2008) (citing *Silvers v. Sony Pictures Entm't, Inc*., 402 F.3d 881, 889 (9th Cir. 2005); *Lewis v. Casey*, 518 U.S. 343, 349 n. 1, 116 S.Ct. 2174, 135 L.Ed.2d 606 (1996)); *see also* 17 U.S.C. § 501(b) (stating, "The legal or beneficial owner of an exclusive right under a copyright is entitled … to institute an action for any infringement of that particular right committed while he or she is the owner of it."); *Motta v. Samuel Weiser, Inc.*, 768 F.2d 481, 484 (1st Cir. 1985) (quoting 17 U.S.C. § 501(b) and agreeing, "If a plaintiff is not the author of the copyrighted work then he or she must establish a proprietary right through the chain of title in order to support a valid claim to the copyright. [citations] Absent this showing, a plaintiff does not have standing to bring an action under the Copyright Act.") (emphasis added) (citing *Bell v. Combined Registry Co*., 397 F.Supp. 1241, 1245 (N.D.Ill.1975), *aff'd*, 536 F.2d 164 (7th Cir. 1976), *cert. denied*, 429 U.S. 1001, 97 S.Ct. 530, 50 L.Ed.2d 612 (1976)); *see also Righthaven, LLC v. Hoehn*, 716 F.3d 1166 (9th Cir. 2013) (affirming district court's dismissal for lack of subject matter jurisdiction when plaintiff lacked standing based on failure to establish ownership of the work allegedly infringed); *Righthaven LLC v. Newman*, 838 F. Supp. 2d 1071 (D. Nev. 2011) (same); *Righthaven LLC v. Democratic Underground, LLC*, 791 F. Supp. 2d 968 (D. Nev. 2011) (same).

Importantly, when deciding a motion under Rule 12(b)(1), "[t]he Court is not restricted … to examining only the pleadings but may review any evidence, including affidavits, to determine any disputed facts upon which the motion or the opposition to it is predicated." *Casey v. Lifespan Corp*., 62 F. Supp. 2d 471, 474 (D.R.I. 1999); *see also Aversa v. United States*, 99 F. 3d 1200, 1210 (1st Cir. 1996) (noting when faced with a challenge to subject matter jurisdiction, "the court may consider whatever evidence has been submitted, such as the depositions and exhibits submitted in this case"). Thus, unlike other types of Rule 12 motions which limit the

Court to only the allegations presented in the Complaint, "[a]s the court is permitted to look beyond the pleadings on a Rule 12(b)(1) motion, the formality of converting the motion to dismiss to one for summary judgment need not be observed." *Kolancian v. Snowden*, 532 F. Supp. 2d 260, 261–62 (D. Mass. 2008) (citations omitted).

With these points in mind, the evidence here is clear—Plaintiffs Small Justice, LLC and Richard Goren (collectively "Mr. Goren") simply do not own the work which is the subject of this infringement action. On the contrary, the work allegedly infringed by Xcentric is, and was, owned exclusively by Xcentric. Accordingly, as a non-owner Mr. Goren has no standing to sue for infringement and without such standing this Court lacks subject matter jurisdiction over this case. As a result, dismissal under Rule 12(b)(1) is mandatory.

b. Xcentric Is The Lawful Registered Owner Of The Work At Issue

As noted above, when investigating its own subject matter jurisdiction, the Court is *not* confined to the pleadings. For that reason, Xcentric offers the following additional information and evidence which conclusively establishes that it is the sole rightful owner of the work at issue in this case.

To begin, Xcentric operates a website located at www.RipoffReport.com (the "Ripoff Report") which is an online consumer advocacy forum that allows users to post free complaints called "reports". Reports may be submitted on any topic, but they are generally focused on companies and/or individuals who have wronged the author in some manner. *See* Affidavit of David S. Gingras ("Gingras Aff.") ¶ 4, attached hereto. Subjects of reports are also allowed to post a free response—known as a "rebuttal"—explaining their side of the story. *Id.* Since it was founded in 1998, the Ripoff Report site has received more than 1.6 million unique user-submitted reports and many millions of responses/rebuttals. *Id*.

Before a user is allowed to post anything, they are required to create a free account with the Ripoff Report site. Gingras Aff. ¶ 5. As part of this process, and as is common practice for such sites, users must affirmatively accept and agree to Xcentric's Terms of Service ("TOS"). *Id*. Among other things, the current version of Xcentric's TOS (in place since April 8, 2010) provides as follows:

> **6. Proprietary Rights/Grant of Exclusive Rights**
>
> By posting information or content to any public area of www.RipoffReport.com, you automatically grant, and you represent and warrant that you have the right to grant, to Xcentric an irrevocable, perpetual, fully-paid, worldwide exclusive license to use, copy, perform, display and distribute such information and content and to prepare derivative works of, or incorporate into other works, such information and content, and to grant and authorize sublicenses of the foregoing. (emphasis added)

Gingras Aff. ¶¶ 5-6 & Exh. A thereto.

Based on the language in its Terms of Service, Xcentric owns a valid, enforceable exclusive license to all content posted on the site by users. *See Metro. Reg'l Inf. Sys., Inc. v. Am. Home Realty Network, Inc.*, __ F.3d ___, 2013 WL 3722365, *8 (4th Cir. July 17, 2013) (holding pursuant to federal "E-Sign Act", 15 U.S.C. § 7001, website user "who 'clicks yes' in response to [a website owner's Terms of Service] prior to uploading copyrighted photographs, has *signed a written* transfer of the exclusive rights of copyright ownership in those photographs consistent with Section 204(a).") (emphasis in original). An exclusive license is a type of copyright ownership. *See* 17 U.S.C. § 101 (explaining, "A 'transfer of copyright ownership' is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.") (emphasis added).

Users who do not agree to Xcentric's Terms of Service are prohibited from posting any reports/ rebuttals on the Ripoff Report site. Gingras Aff. ¶ 7.

As part of its efforts to protect its valuable rights in its vast database of content, Xcentric has registered various copyrights in the material appearing on its site. As it relates to this case, on March 7, 2012 Xcentric applied for and received a Certificate of Registration, Reg. No. TX 7-491-670 (the "'670 Copyright"), establishing its exclusive copyright to all content posted on the Ripoff Report website between January 1, 2012 and March 7, 2012. Gingras Aff. ¶¶ 9–10 & Exh. B thereto. As explained further below, the work at issue in this case is included as part of the '670 Copyright. As such, Xcentric's registration of this work (which predates Plaintiffs' alleged registration by more than a full year) demonstrates that Xcentric is the sole lawful owner of the work.

The one, oblique mention in the Complaint of the "work" allegedly owned by Plaintiff and infringed by Xcentric, describes it as follows:

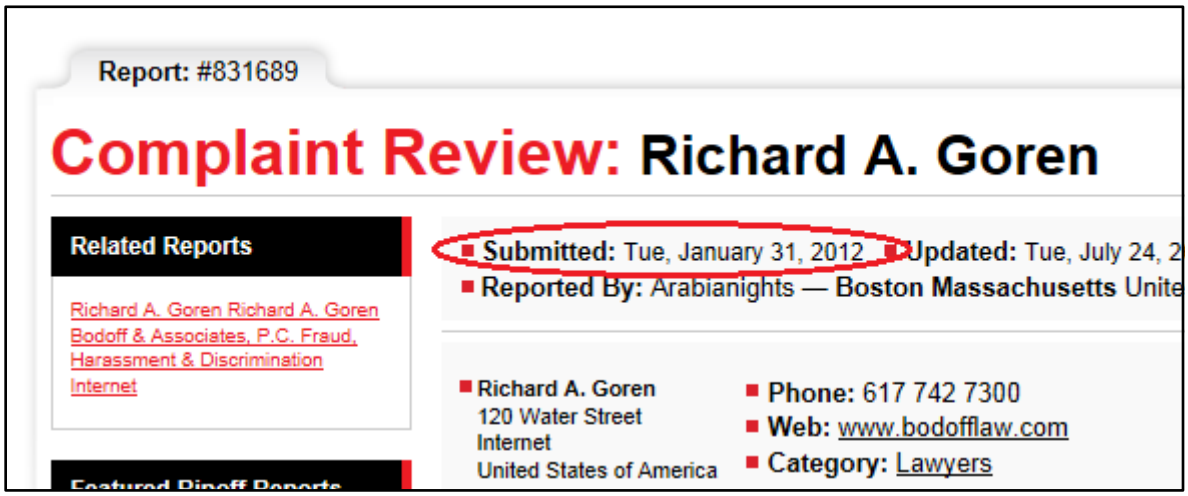
> SMALL JUSTICE LLC is the copyright owner of exclusive rights under United States copyright with respect to the published work of John Doe dba Arabianights-Boston Massachusetts January 31, 2012 Report # 831689 posted on the Ripoff Report website captioned "Complaint Review: Richard A. Goren," and which is the subject of a valid Certificate of Copyright Registration under an application dated July 3, 2013.

ECF No. 1 ¶ 8.

Aside from that short description, Mr. Goren has not provided a copy of the "work" referenced in paragraph 8. It was not included as an exhibit to his Complaint, nor has he attached a copy of the registration certificate for the work. However, this work—which Xcentric refers to as "Report #831689" for purposes of clarity—is a complaint about Mr. Goren submitted

to Xcentric's website www.RipoffReport.com by an anonymous author using the pseudonym "Arabianights". Gingras Aff. ¶¶ 11–12 & Exh. C thereto.

A cursory review of Report #831689 reveals two crucial facts. First, the report was originally posted on Xcentric's website on January 31, 2012:



Gingras Aff. ¶ 11 & Exh. C thereto.

Second, Report #831689 contains a footer which notifies all readers that the Ripoff Report website has an exclusive license to the report:

Gingras Aff. ¶ 14 & Exh. C thereto.

These two points—the publication of the report on January 31, 2012 and the notice of Ripoff Report's exclusive license to the report—are dispositive here. This is so because as noted above, Xcentric's '670 Copyright applies to all content posted on the Ripoff Report website

between January 1, 2012 and March 7, 2012, thus including Report #831689. Of course, pursuant to 17 U.S.C. § 410(c), Xcentric's registration certificate is *prima facie* proof of Xcentric's status as the lawful owner of this work.

As noted above, for Mr. Goren to have standing to bring this action he must demonstrate a valid chain of title sufficient to give him exclusive rights to Report #831689. *See Motta*, 768 F. 2d at 484 (quoting 17 U.S.C. § 501(b) and agreeing, "If a plaintiff is not the author of the copyrighted work then he or she must establish a proprietary right through the chain of title in order to support a valid claim to the copyright. ... Absent this showing, a plaintiff does not have standing to bring an action under the Copyright Act.") (citations omitted).

Mr. Goren cannot make this showing for two separate reasons: his later, conflicting purported transfer fails under 17 U.S.C. § 205, and a state court default judgment purporting to transfer a copyright is invalid *per se* pursuant to 17 U.S.C. § 205.

c. Plaintiff's Later Conflicting Transfer Fails Under 17 U.S.C. § 205

Because Xcentric owns a *registered* copyright in Report #831689 evidenced by the '670 registration, Xcentric's superior ownership interest prevails against any subsequent conflicting transfer pursuant to 17 U.S.C. § 205(d), which provides:

> (d) **Priority Between Conflicting Transfers.** — As between two conflicting transfers, the one executed first prevails if it is recorded, in the manner required to give constructive notice under subsection (c), within one month after its execution in the United States or within two months after its execution outside the United States, or at any time before recordation in such manner of the later transfer. **Otherwise the later transfer prevails** if recorded first in such manner, and if taken in good faith, for valuable consideration or on the basis of a binding promise to pay royalties, **and without notice of the earlier transfer**.

17 U.S.C. § 205(d) (emphasis added).

As explained in Section 205(d), in addition to other requirements such as the payment of consideration, a later transferee (Mr. Goren) can only prevail against an earlier transferee (Xcentric) if the second transferee *lacked notice of the first transfer*. Here, Xcentric's ownership interest was registered with Copyright Office in March 2012. Gingreas Aff. ¶ 9 & Exh. B thereto. Mr. Goren alleges that he applied for registration more than 15 months later, in July 2013. ECF No. 1 ¶ 8.

Of course, *recordation* of an assignment under 17 U.S.C. § 205 and *registration* of a claim of ownership under 17 U.S.C. § 408 are two different things. However, for the purposes of resolving a conflicting transfer under Section 205(d) they are treated equally; both recordation and registration provide the same constructive notice of the first claimant's superior rights. Thus, because Xcentric's ownership interest was registered first, long before Mr. Goren's attempted transfer, Xcentric's interest prevails under § 205(d). *See Latin Am. Music Co., Inc. v. Archdiocese of San Juan of the Roman Catholic & Apostolic Church*, 499 F.3d 32, 40–42 (1st Cir. 2007) (expressly holding that an earlier copyright registration provides constructive notice sufficient to defeat a later conflicting transfer under 17 U.S.C. § 205(d) and affirming "the district court's ruling that registration of a copyright constitutes notice for purpose of § 205(d)").

Thus, at the time Mr. Goren applied for registration of the same work on July 3, 2013, he had constructive notice of Xcentric's earlier ownership status as a matter of law. "A copyright registration certificate issued by and filed with the Copyright Office thus serves to put the world on constructive notice as to the ownership of the copyright and of the facts stated in the registration certificate." *Saenger Org., Inc. v. Nationwide Ins. Licensing Assocs., Inc.*, 119 F.3d 55, 66 (1st Cir. 1997). Because Mr. Goren had notice of Xcentric's exclusive rights to Report

#831689 when he attempted to register the same work more than a year later, Mr. Goren's alleged conflicting transfer fails under Section 205(d).

In addition to the constructive notice imparted by Xcentric's registration, Mr. Goren also plainly had *actual knowledge* of Xcentric's exclusive rights to Report #831689. This is so because that report (like all reports on the Ripoff Report website) included an informational footer directly below the actual report. Gingras Aff. ¶¶ 14-15. The footer plainly and prominently informed anyone visiting the page that "Ripoff Report has an exclusive license to this report." *Id.* ¶ 14 & Exh. C thereto. Thus, even without the constructive notice provided by Xcentric's pre-existing registered copyright, Mr. Goren's alleged conflicting transfer fails under Section 205(d) because he had actual knowledge of the earlier transfer of an exclusive license to Xcentric. For that reason, Mr. Goren has no standing to sue for infringement.

d. A State Court Default Judgment Purporting To Transfer A Copyright Is Invalid *Per Se* Pursuant to 17 U.S.C. § 201(e)

Although it is not necessary for the Court to reach this issue, assuming that Xcentric's arguments regarding Section 205(d) of the Copyright Act were somehow incorrect or inapplicable, Mr. Goren's alleged copyright ownership claim also fails for an entirely independent reason. This is so because the process through which Mr. Goren claims to have acquired his rights—by virtue of a default judgment entered in a state-court proceeding filed against the purported author—is expressly barred by Section 201(e) of the Copyright Act.

According to his Complaint, Mr. Goren claims to have applied for copyright registration of Report #831689 on July 3, 2013. ECF No. 1 ¶ 8. Although not fully articulated in the Complaint, the pleadings attached to the Complaint as Exhibit A show that Mr. Goren's alleged copyright ownership of Report #831689 arises from a default judgment entered in a state-court

proceeding in an action styled *Richard A. Goren v. John Doe and Steven DuPont*, Case #2012-4121-H. ECF No. 1-3 pp. 2-7 & 9-10.

According to page 2 of the Judgment and Amended Permanent Injunction entered in that matter on April 8, 2013, also included within Exhibit A to the Complaint, the state court entered a default judgment purporting to transfer to Mr. Goren "all rights in and to ownership of the copyright by the author John Doe dba Arabianights-Boston Massachusetts, nka Christian DuPont of the January 31, 2012 Report # 831689 posted on the Ripoff Report website captioned 'Complaint Review: Richard A. Goren' … so as to qualify as a transfer of ownership under 17 U.S.C. § 201(d) and/or under 17 U.S.C. § 204." ECF No. 1-3 p. 4 at ¶ 3. Mr. Goren's alleged rights in Report #831689 arise from this default judgment.

However, this transfer is invalid as a matter of law pursuant to 17 U.S.C. § 201(e), which provides:

> **(e) Involuntary Transfer.**— When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect under this title, except as provided under title 11.

17 U.S.C. § 201(e) (emphasis added).

Of course, as explained above, when the original author of Report #831689 submitted the post to the Ripoff Report website, he or she granted Xcentric an irrevocable, perpetual, exclusive license to "use, copy, perform, display and distribute" the content. Gingras Aff. ¶¶ 5-6 & Exh. A thereto. Pursuant to 17 U.S.C. § 101, this exclusive license was a "transfer of copyright ownership" from the author to Xcentric. Thus, any dispute as to the validity of subsequent conflicting transfers is controlled by 17 U.S.C. § 205(d).

However, even if this transfer of rights to Xcentric had never occurred, Mr. Goren would still not hold any rights, exclusive or otherwise, to Report #831689. This is so because Section 201(e) expressly prohibits state courts from imposing an involuntary transfer of a copyright in the manner attempted by Mr. Goren. "'[T]ransfers by operation of law are expressly limited to voluntary transfers, except in bankruptcy proceedings.'" *Soc'y of the Holy Transfiguration Monastery, Inc. v. Gregory*, 689 F.3d 29, 40-41 (1st Cir. 2012) (*quoting Advance Magazine Publishers , Inc. v. Leach*, 466 F.Supp.2d 628, 636 (D. Md. 2006)). Indeed, Section 201(e) was adopted to prevent exactly the result Mr. Goren is seeking here—involuntary seizure of a copyright to banish unpleasant or controversial speech. "Section 201(e) was originally intended to prevent the Soviet Union from squelching dissidents by confiscating their copyrights, but the plain language of the section prohibits involuntary transfer by any government action." *Rodrigue v. Rodrigue*, 55 F.Supp.2d 534, 542 (E.D. La. 1999) (emphasis added) (*rev'd on other grounds*, 218 F.3d 432 (5th Cir. 2000)) (citing Francis M. Nevins, Jr., *When an Author's Marriage Dies; The Copyright-Divorce Connection,* 37 J. Copr. Soc'y U.S.A. 382, 383–84 (1990); 1 Melville Nimmer and David Nimmer, *Nimmer on Copyright* §§ 6A.03[C][2][b] & 10.04).

Both the language and the logic of Section 201(e) are clear—state courts simply do not have authority to issue judgments/orders which involuntarily divest copyright owners of their exclusive rights. But for Section 201(e), an errant local small claims court default judgment could effectively be used to seize control over and thereby censor virtually any/all online speech. As the *Rodrigue* Court noted, this was in fact the core concern Congress intended to prevent when it adopted Section 201(e):

> The purpose of this subsection is to reaffirm the basic principle that the United States copyright of an individual author shall be secured to that author, and cannot be taken away by *any involuntary transfer.* It is the intent of the subsection that the author be entitled, despite any purported expropriation or involuntary transfer, to continue exercising all rights under the United States statute, and that the governmental body or organization may not *enforce or exercise any rights* under this title in that situation.

Rodrigue, 55 F.Supp.2d at 542 (emphasis in original) (quoting 1978 Acts. S. Rep. No. 95–989 and H. Rep. No. 95–595; 1978 U.S. Code Cong. and Adm. News, p. 5787).

In sum, Section 201(e) expressly and unequivocally prevents this Court from "giving effect" to the involuntary transfer purported ordered by the state court's default judgment. Because this transfer was not effective, it conveyed no ownership rights to Mr. Goren as to Report #831689. As such, Mr. Goren is not the lawful owner of that work and thus has no standing to pursue this action for infringement.

III. CONCLUSION

For the reasons stated above, Mr. Goren is not the owner of the copyright in the work at issue in this case. Because Mr. Goren is not the copyright owner, he lacks standing to sue Xcentric for infringement, and by extension this means that Article III standing is absent. As such, this Court has no subject matter jurisdiction over the case, making dismissal pursuant to Rule 12(b)(1) mandatory.

Respectfully submitted,

BOOTH SWEET LLP

Dated: August 8, 2013

/s/ Dan Booth

Daniel G. Booth (BBO# 672090)

32R Essex Street, Suite 1
Cambridge, MA 02139
Telephone: (617) 250-8602
Facsimile: (617) 250-8883
dbooth@boothsweet.com

Counsel for Defendant Xcentric Ventures, LLC

CERTIFICATION PURSUANT TO LOCAL RULE 7.1(a)(2)

The undersigned counsel hereby certifies that on this August 8, 2013, I attempted in good faith to resolve or narrow the issues addressed in the foregoing motion by conferring by telephone and e-mail with Plaintiff Richard A. Goren personally and in his capacity as counsel of record for Plaintiff Small Justice LLC.

/s/ Dan Booth

CERTIFICATE OF SERVICE

I, Dan Booth, hereby certify that I electronically filed the foregoing Motion to Dismiss by using the Court's ECF system on this August 8, 2013, thereby causing a true copy of said document to be served electronically upon Plaintiff Richard A. Goren personally and in his capacity as counsel of record for Plaintiff Small Justice LLC.

/s/ Dan Booth