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UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

* * *

DENNIS MONTGOMERY and the
MONTGOMERY FAMILY TRUST,

Plaintiffs,

v.

ETREPPID TECHNOLOGIES, LLC;
WARREN TREPP; and the UNITED
STATES DEPARTMENT OF DEFENSE,

Defendants.

AND ALL RELATED MATTERS.

3:06-CV-00056-PMP-VPC
BASE FILE

3:06-CV-00145-PMP-VPC

ORDER

Presently before the Court is the United States Department of Defense’s (“DOD”) Motion to Dismiss (3:06-CV-00056-PMP-VPC, Doc. #56), filed on June 21, 2006. eTreppid Technologies, LLC and Warren Trepp filed a Notice of Non-Opposition (3:06-CV-00056-PMP-VPC, Doc. #60) on July 10, 2006. Dennis Montgomery and the Montgomery Family Trust filed an Opposition (3:06-CV-00056-PMP-VPC, Doc. #71) on September 15, 2006. The United States did not file a reply.

Also before the Court is the United States Department of Defense’s Motion to Dismiss (3:06-CV-00145-PMP-VPC, Doc. #39), filed on June 21, 2006. eTreppid Technologies, LLC and Warren Trepp filed a Notice of Non-Opposition (3:06-CV-00145-PMP-VPC, Doc. #44) on July 10, 2006. Dennis Montgomery and the Montgomery Family Trust filed an Opposition (3:06-CV-00145-PMP-VPC, Doc. #49) on September 15, 2006.

1 The United States did not file a reply.

2 **I. BACKGROUND**

3 These consolidated proceedings concern a dispute between eTreppid
4 Technologies, LLC/Warren Trepp (“eTreppid”) and Dennis Montgomery/the Montgomery
5 Family Trust (“Montgomery”) as to who owns certain computer software source codes.

6 eTreppid originally brought suit in Nevada state court against Montgomery,
7 asserting various causes of action including misappropriation of trade secrets. Montgomery
8 answered and counterclaimed against both eTreppid and the DOD alleging eTreppid
9 exploited Montgomery’s copyrighted and derivative works without Montgomery’s authority
10 by licensing the source code to the Government. (3:06-CV-00145-PMP-VPC, Doc. #1, Ex.
11 1.) Montgomery asserted against eTreppid and the DOD counterclaims for declaratory
12 relief regarding Montgomery’s obligations under a non-disclosure agreement with the
13 Government (counterclaim one) and an accounting for profits from eTreppid’s use of the
14 source code (counterclaim two). (Id.)

15 Montgomery also separately brought suit in this Court against eTreppid and the
16 DOD. (Compl. [3:06-CV-00056-PMP-VPC, Doc. #1].) Montgomery’s Amended
17 Complaint asserts against the DOD claims for copyright infringement (counts one and two),
18 an accounting of profits derived from the source code (count four), conversion of the source
19 code (count nine), and declaratory relief regarding Montgomery’s non-disclosure agreement
20 with the DOD (count ten). (Am. Compl. [3:06-CV-00056-PMP-VPC, Doc. #7].)

21 The DOD moves to dismiss counts one, two, and four of Montgomery’s
22 Amended Complaint, arguing that through 28 U.S.C. § 1498(b), the United States has
23 waived its sovereign immunity regarding copyright infringement claims only if the suit is
24 brought in the Court of Federal Claims. The DOD thus argues this Court has no jurisdiction
25 to consider Montgomery’s copyright claims against the DOD. The DOD also moves to
26 dismiss Montgomery’s claims for declaratory relief in the Amended Complaint and

1 Amended Counterclaims, arguing Montgomery has not identified any statute which waives
2 the United States' sovereign immunity except for the Declaratory Judgment Act, which
3 does not waive sovereign immunity and is not an independent source of a cause of action.
4 Additionally, the DOD argues Montgomery's declaratory judgment claim is defective on
5 the merits because he is bound by a contract with the DOD not to disclose classified
6 information and only the Executive Branch, not the Judiciary, can authorize the disclosure
7 of classified information.

8 Montgomery responds the DOD's motion is procedurally defective because the
9 Court cannot dismiss the copyright claims for lack of jurisdiction. Montgomery contends
10 28 U.S.C. § 1498(b) is an affirmative defense, not a jurisdictional statute. Additionally,
11 Montgomery argues § 1498(b) does not require him to bring suit in the Court of Federal
12 Claims because the DOD may have facilitated copyright infringement innocently, rather
13 than expressly authorized it. With respect to his declaratory judgment claim, Montgomery
14 argues the judicial branch has a role in reviewing the executive branch's assertion of the
15 state secrets privilege. Finally, Montgomery notes that he has alleged claims against the
16 DOD which the DOD has not moved to dismiss and therefore a complete dismissal would
17 be inappropriate.

18 **II. LEGAL STANDARD**

19 In considering a motion to dismiss, "the court must construe the complaint in the
20 light most favorable to the plaintiff, taking all [his] allegations as true and drawing all
21 reasonable inferences from the complaint in [his] favor." Doe v. United States, 419 F.3d
22 1058, 1062 (9th Cir. 2005). However, the Court does not necessarily assume the truth of
23 legal conclusions merely because they are cast in the form of factual allegations in the
24 plaintiff's complaint. See Clegg v. Cult Awareness Network, 18 F.3d 752, 754-55 (9th Cir.
25 1994). There is a strong presumption against dismissing an action for failure to state a
26 claim. Ileto v. Glock Inc., 349 F.3d 1191, 1200 (9th Cir. 2003). "The issue is not whether

1 a plaintiff will ultimately prevail but whether the claimant is entitled to offer evidence to
2 support the claims.” Hydrick v. Hunter, 466 F.3d 676, 686 (9th Cir. 2006) (quoting
3 Scheuer v. Rhodes, 416 U.S. 232, 236 (1974)).

4 **III. DISCUSSION**

5 “The United States, as sovereign, can only be sued to the extent it has waived its
6 sovereign immunity.” Vacek v. United States Postal Serv., 447 F.3d 1248, 1250 (9th Cir.
7 2006). Sovereign immunity is a jurisdictional bar if the United States has not consented to
8 be sued on a particular claim. Balser v. Dep’t of Justice, Office of U.S. Tr., 327 F.3d 903,
9 907 (9th Cir. 2003). The United States must express unequivocally a waiver of sovereign
10 immunity. Consejo de Desarrollo Economico de Mexicali, A.C. v. United States, 482 F.3d
11 1157, 1173 (9th Cir. 2007). Courts strictly construe statutory waivers of sovereign
12 immunity and a waiver’s terms define the contours of the court’s jurisdiction. Id. The party
13 asserting jurisdiction exists bears the burden of establishing the United States has waived its
14 sovereign immunity. Vacek, 447 F.3d at 1250.

15 **A. Copyright Claims**

16 Title 28 U.S.C. § 1498(b) waives the United States’ sovereign immunity for
17 claims it infringed a copyright but directs that such claims may be brought only in the Court
18 of Federal Claims:

19 Hereafter, whenever the copyright in any work protected under the
20 copyright laws of the United States shall be infringed by the United
21 States, by a corporation owned or controlled by the United States, or by
22 a contractor, subcontractor, or any person, firm, or corporation acting
23 for the Government and with the authorization or consent of the
24 Government, the exclusive action which may be brought for such
infringement shall be an action by the copyright owner against the
United States in the Court of Federal Claims for the recovery of his
reasonable and entire compensation as damages for such infringement,
including the minimum statutory damages as set forth in section 504(c)
of title 17, United States Code

25 “In addition to restricting suit against the United States to monetary compensation for
26 infringing uses, section 1498 relieves a federal contractor of liability where the contractor

1 uses or manufactures an infringing invention for the United States.” Toxgon Corp. v.
2 BNFL, Inc., 312 F.3d 1379, 1381 (Fed. Cir. 2002) (referring to 28 U.S.C. § 1498(a) which
3 contains a similar waiver of sovereign immunity for patent infringement actions). Section
4 1498(b) thus operates both as a jurisdictional bar and as an affirmative defense. Where the
5 plaintiff sues the United States for copyright infringement, § 1498(b) is jurisdictional
6 because it is an express waiver of the United States’ sovereign immunity for copyright
7 infringement claims but that waiver is limited exclusively to claims brought in the Court of
8 Federal Claims. See Crater Corp. v. Lucent Tech., Inc., 255 F.3d 1361, 1364 (Fed. Cir.
9 2001) (“In addition to giving the United States Court of Federal Claims exclusive
10 jurisdiction over patent infringement suits against the government, § 1498(a) also provides
11 an affirmative defense for applicable government contractors.”) (quotation omitted);
12 Manville Sales Corp. v. Paramount Sys., Inc., 917 F.2d 544, 555 n.6 (Fed. Cir. 1990).
13 However, where the plaintiff sues a private party, § 1498(b) provides an affirmative defense
14 if the private party infringed the copyright while acting for the United States and with the
15 United States’ authorization or consent, and the district court’s jurisdiction is unaffected.
16 Madey v. Duke Univ., 307 F.3d 1351, 1359 (Fed. Cir. 2002).

17 Montgomery alleges copyright infringement by both eTreppid and the DOD.
18 While § 1498(b) may be an affirmative defense for eTreppid as a private party, with respect
19 to the DOD, § 1498(b) is a jurisdictional bar because only the Court of Federal Claims has
20 jurisdiction over Montgomery’s copyright claims against the DOD. Accordingly, the Court
21 will grant the DOD’s motion to dismiss counts one, two, and four of Montgomery’s
22 Amended Complaint (3:06-CV-00056-PMP-VPC, Doc. #7) for lack of jurisdiction as to
23 Defendant DOD.

24 **B. Declaratory Judgment Claims**

25 The Declaratory Judgment Act permits a federal district court to declare the
26 rights and other legal relations of parties in cases of “actual controversy within its

1 jurisdiction.” 28 U.S.C. § 2201. The Declaratory Judgment Act “does not constitute the
2 United States’ consent to be sued, it ‘merely grants an additional remedy in cases where
3 jurisdiction already exists in the court.’” Western Shoshone Nat’l Council v. United States,
4 408 F. Supp. 2d 1040, 1047-48 (D. Nev. 2005) (quoting Brownell v. Ketcham Wire & Mfg.
5 Co., 211 F.2d 121, 128 (9th Cir. 1954)).

6 Montgomery bears the burden of establishing a waiver of sovereign immunity
7 exists to support jurisdiction for his declaratory judgment claims. Montgomery has not
8 established any waiver of sovereign immunity that would permit his declaratory relief
9 claims against the United States to proceed. Because Montgomery has failed to show the
10 United States waived its sovereign immunity for these claims, the Court will grant the
11 DOD’s motion to dismiss count ten of Montgomery’s Amended Complaint (3:06-CV-
12 00056-PMP-VPC, Doc. #7) and count one of Montgomery’s Answer and First Amended
13 Counterclaim (3:06-CV-00145-PMP-VPC, Doc. #1, Ex. 1).

14 **IV. CONCLUSION**

15 IT IS THEREFORE ORDERED that the United States Department of Defense’s
16 Motion to Dismiss (3:06-CV-00056-PMP-VPC, Doc. #56) is hereby GRANTED. Counts
17 one, two, four and ten of the Amended Complaint (3:06-CV-00056-PMP-VPC, Doc. #7) are
18 hereby dismissed for lack of jurisdiction as to Defendant Department of Defense.

19 IT IS FURTHER ORDERED that the United States Department of Defense’s
20 Motion to Dismiss (3:06-CV-00145-PMP-VPC, Doc. #39) is hereby GRANTED. Count
21 one of the Answer and First Amended Counterclaim (3:06-CV-00145-PMP-VPC, Doc. #1,
22 Ex. 1) is hereby dismissed for lack of jurisdiction.

23 DATED: May 24, 2007.

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26 PHILIP M. PRO
United States District Judge