IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

ME2 PRODUCTIONS, INC., and CELL FILM HOLDINGS, LLC,

Plaintiffs,

v.

WILLIAM PATRICK SHELDON,

Defendant.

Case No. 3:17-cv-00158-SB

FINDINGS AND RECOMMENDATION

BECKERMAN, Magistrate Judge.

This is an action alleging a violation of the Copyright Act, 17 U.S.C. §§ 101 *et seq.*, based on the alleged unlawful downloading and distribution of Plaintiffs' copyrighted motion pictures, *Mechanic: Resurrection* and *Cell*, using BitTorrent peer-to-peer file sharing software. Plaintiffs assert one copyright infringement claim against William Patrick Sheldon ("Sheldon"). (ECF No. 5.)

Plaintiffs have filed a Motion for Voluntary Dismissal (ECF No. 19) pursuant to Federal Rule of Civil Procedure ("FRCP") 41(a)(2). Sheldon does not oppose Plaintiffs' request for voluntary dismissal, but asks the Court to condition the dismissal on the payment of his costs and attorney's fees. (Def.'s Resp. 1.) Sheldon also requests that the Court include two additional

terms: "any future litigation Plaintiffs might bring against [him] alleging copyright infringement of Plaintiffs' titles alleged in their Amended Complaint be brought in this court" and "if Plaintiffs file another lawsuit asserting the same or similar claims against [him] based on the facts of this case and dismiss that action, such dismissal should operate as an adjudication on the merits under Rule 41(a)(1)(B)." (Def's Resp. 1.) For the reasons set forth below, the Court recommends that the district judge grant Plaintiffs' Motion for Voluntary Dismissal pursuant to FRCP 41(a)(2), without prejudice, and conditioned on the payment of Sheldon's reasonable costs and fees incurred to defend this action.

BACKGROUND

On January 28, 2017, Plaintiff ME2 Productions, Inc., filed a Complaint against a Doe defendant identified only by an Internet Protocol ("IP") address. Plaintiff's investigator observed the IP address distributing Plaintiff's motion picture via a public BitTorrent network. Thereafter, Plaintiff issued a subpoena to Internet Service Provider Comcast, pursuant to Standing Order 2016-8, seeking the identity of the IP address subscriber. Comcast returned a subpoena response identifying "Donna Violet" (now known to be "Violette") as the subscriber.

Plaintiff contacted Violette who "was very cooperative[.]" (Carl Crowell Decl. ¶ 6, June 26, 2017.) Plaintiff's counsel and Violette "reviewed [Violette's] tenants, guests, workmen that visited, and all parties that had access to her password protected Internet service." (Crowell Decl. ¶ 6.) According to Plaintiffs, the only party who matched the data records for infringing activity was Sheldon. (Crowell Decl. ¶ 6; *see also* ¶ 12 (Violette "confirmed that though there were a number of people that had access over the prior six months . . . Sheldon was the only match for all the dates and the activity.").)

On March 31, 2017, Plaintiff's counsel sent a letter to Sheldon, describing the nature of this case, stating that Comcast identified the address of the infringing activity and "[f]urther investigation" indicated that Sheldon was the only plausible responsible party, encouraging Sheldon to consult with an attorney, providing Sheldon with information regarding how to retain pro bono counsel, and attaching a copy of Standing Order 2016-7. (Crowell Decl. Ex. 5.)

On April 15, 2017, Plaintiffs filed an Amended Complaint to add as a second plaintiff Cell Film Holdings, LLC, the copyright holder of the movie *Cell*, and naming Sheldon as Defendant. On April 21, 2017, Plaintiffs personally served Sheldon with the Amended Complaint. Subsequently, the Court appointed pro bono counsel to defend Sheldon in this action. Sheldon's counsel filed an Answer (ECF No. 12), and on May 24, 2017, the Court held a Rule 16 Conference to set a case management schedule (ECF No. 18). At the Rule 16 conference, Sheldon's counsel requested far-reaching discovery from Plaintiffs. Four days later, Plaintiffs filed a request for voluntary dismissal.

LEGAL STANDARD

FRCP 41(a)(2) provides that "[e]xcept as provided in Rule 41(a)(1), an action may be dismissed at the plaintiff's request only by court order, on terms that the court considers proper . . . . Unless the order states otherwise, a dismissal under this paragraph (2) is without prejudice." The decision to grant or deny a request to dismiss pursuant to Rule 41(a)(2) is within the district court's discretion. *Sams v. Beech Aircraft Corp.*, 625 F.2d 273, 277 (9th Cir. 1980) (citation omitted). "A district court should grant a motion for voluntary dismissal under Rule 41(a)(2) unless a defendant can show that it will suffer some plain legal prejudice as a result." *Smith v. Lenches*, 263 F.3d 972, 975 (9th Cir. 2001). The Ninth Circuit has held that "legal prejudice" means "prejudice to some legal interest, some legal claim, [or] some legal argument." *Westlands*

Water Dist. v. U.S., 100 F.3d 94, 97 (9th Cir. 1996) (holding that the expense incurred in defending a lawsuit does not constitute legal prejudice, because the defendant's interests "can be protected by conditioning the dismissal without prejudice upon the payment of appropriate costs and attorney fees").

To analyze motions for voluntary dismissal brought pursuant to Rule 41(a)(2), courts must determine: (1) whether to allow the dismissal; (2) whether dismissal should be with or without prejudice; and (3) what terms and conditions, if any, should be imposed. *Williams v. Peralta Cnty. Coll. Dist.,* 227 F.R.D. 538, 539 (N.D. Cal. 2005).

DISCUSSION

With regard to whether Rule 41(a)(2) dismissal is warranted in this case, Sheldon does not oppose a voluntary dismissal without prejudice. As such, the only question for the Court is whether to impose any terms and conditions on the dismissal. *Williams*, 227 F.R.D. at 539. As discussed above, Sheldon seeks one monetary and two non-monetary provisions in the judgment of dismissal. The Court addresses each of Sheldon's requested conditions below.

I. COSTS AND ATTORNEY'S FEES

A district court has discretion to determine whether to impose costs and fees under Rule 41(a)(2). *Stevedoring Servs. of Am. v. Armilla Int'l B.V.,* 889 F.2d 919, 921 (9th Cir. 1989) (finding that a Rule 41(a)(2) motion "is addressed to the district court's sound discretion and the court's order will not be disturbed unless the court has abused its discretion"). The Copyright Act provides that a "prevailing party" may be awarded attorney's fees in a copyright infringement action. 17 U.S.C. § 505.[1] However, a defendant is not the prevailing party when a copyright plaintiff voluntarily dismisses a claim without prejudice. *See Cadkin v. Loose*, 569 F.3d 1142,

[1] Sheldon's Answer included a Counterclaim for reasonable costs and attorney's fees pursuant to 17 U.S.C. § 505. (Answer 3.)

1150 (9th Cir. 2009) (finding that a defendant is a prevailing party following dismissal of a claim only if the plaintiff is judicially precluded from refiling the claim). As such, a plaintiff could voluntarily dismiss its claims without prejudice under Rule 41(a)(2) to avoid an award of attorney's fees. To protect a defendant, the Court may impose costs and attorney's fees on a plaintiff who voluntarily dismisses a case. *See* FRCP 41(a)(2) ("[A]n action may be dismissed at the plaintiff's request only by court order, on terms that the court considers proper."); *see also Lenches,* 263 F.3d at 978 (reviewing for abuse of discretion a district court's award of costs and attorney's fees relating to voluntary dismissal); *Westlands Water Dist.*, 100 F.3d at 96 (remanding for determination whether costs and fees should be imposed as a condition of dismissal without prejudice, and noting that pursuant to Rule 41(a)(2) a court may impose "any terms and conditions [it] deems proper" when granting voluntary dismissal).

Plaintiffs oppose on two grounds Sheldon's request that the Court impose a fee and cost award as a condition of dismissal. First, Plaintiffs contend that Sheldon's request for costs and fees "is properly brought under a separate motion." (Pls.' Reply 1.) However, courts routinely impose the condition of costs and fees on a voluntary dismissal. *See, e.g.*, *Stevedoring Servs. of Am.,* 889 F.2d at 921 ("We do not read Rule 41(a)(2) as always requiring the imposition of costs as a condition to a voluntary dismissal, although it is usually considered necessary for the protection of the defendant." (quotations and citation omitted)); *Williams,* 227 F.R.D. at 540 (finding that "costs are often awarded as a condition of dismissal without prejudice"). Accordingly, Sheldon's request at this juncture that the Court impose an award of reasonable costs and fees as a condition of granting Plaintiffs' voluntary dismissal is appropriate.

Next, Plaintiffs oppose Sheldon's request for costs and fees on the ground that his argument for seeking a conditional voluntary dismissal "is filled with unsupported allegations,

hyperbole and statements that are demonstratively false." (Pls.' Reply 1.) In response, Sheldon contends that Plaintiffs rely on "an unverified recitation of disputed facts" to rebut the "sworn testimony" of Sheldon and Violette. (Def.'s Sur-Reply 2.) At this juncture, it is not the Court's role to resolve the disputed issues of fact presented by the parties' divergent accounts of the events leading to the present Rule 41(a)(2) motion. Rather, the Court's obligation is to ensure that Sheldon is not prejudiced by a voluntary dismissal. *See Hamilton v. Firestone Tire & Rubber Co., Inc.*, 679 F.2d 143, 146 (9th Cir. 1982) ("The very purpose of Rule 41(a)(2) is to allow a District Court, in its discretion, to dismiss an action without prejudice even after responsive pleadings have been filed by the defendant. The rule allows the court to attach conditions to the dismissal, as did the court in this case, to prevent prejudice to the defendant."); *Creative Labs, Inc. v. Orchid Tech.*, C 93-3429 TEH, 1997 WL 588923, at *1 (N.D. Cal. Sept. 12, 1997) ("Because Rule 41(a)(2) is designed to permit the imposition of curative conditions, a court may grant a plaintiff's motion to dismiss upon certain terms and conditions as the court deems proper.").

"In determining whether to award costs . . . to [a] defendant[ ] after a voluntary dismissal without prejudice, courts generally consider the following factors: (1) any excessive and duplicative expense of a second litigation; (2) the effort and expense incurred by a defendant in preparing for trial; (3) the extent to which the litigation has progressed; and (4) the plaintiff's diligence in moving to dismiss." *Williams*, 227 F.R.D. at 540 (quotations and citation omitted).

Turning to the first factor—expense of a second litigation—Sheldon is likely to incur duplicative expenses in the event Plaintiffs refile their claims. *See Colombrito v. Kelly*, 764 F.2d 122, 133 (2d Cir. 1985) (noting that "[t]he purpose of such awards is generally to reimburse the defendant for the litigation costs incurred, in view of the risk (often the certainty) taken by

defendant that the same suit will be refiled and will impose duplicative expenses upon him"). Additionally, the Court is mindful that Sheldon is represented by pro bono counsel here, and a second litigation would likely require Sheldon to retain counsel. The first factor weighs in favor of imposing costs and fees.

The second factor—the expense of preparing for trial—is not applicable here. With regard to the third factor—the extent to which litigation has progressed—while discovery is not yet underway, pro bono counsel has already spent time communicating with an expert and with Plaintiffs' counsel regarding this case. (*See, e.g.,* Lake Perriguey Decl. Ex. 6 at 2 (Plaintiffs "indicated early on that [Plaintiffs] would not provide basic discovery until 'discovery opens,' yet [Plaintiffs] had repeatedly asked Mr. Sheldon, and [pro bono counsel], to provide [Plaintiffs] access to Mr. Sheldon's hard drive before 'discovery opens.' This forced a Rule 16 conference, and attorney time and costs.").) As such, this factor weighs in favor of imposing costs and fees.

The final factor—Plaintiffs' diligence in moving to dismiss—also weighs in favor of imposing costs and fees. Plaintiffs moved to dismiss early in the case, prior to discovery, which is generally favored. However, the timing of Plaintiffs' voluntary dismissal here (just after Sheldon requested far-reaching discovery at the Rule 16 conference) supports Sheldon's argument that Plaintiffs file these copyright infringement cases only to achieve a quick settlement without any meaningful litigation. That approach, especially when coupled with a voluntary dismissal when the quick settlement does not materialize, supports an award of costs and fees incurred to defend the action prior to the voluntarily dismissal. To find otherwise would allow plaintiffs to file hundreds of these copyright infringement actions, force subscribers and alleged infringers to incur defense costs and fees, and then dismiss any actions that do not result

in a quick settlement, without any consequences to the plaintiffs. This Court cannot support that outcome.

The balance of the relevant factors leads to this Court's conclusion that the district judge should condition the voluntary dismissal of this case on Plaintiffs' payment of Sheldon's reasonable costs and attorney's fees.

II. REFILING ONLY IN THIS COURT

Sheldon asks the Court to impose a venue condition on its grant of Plaintiffs' request for a voluntary dismissal. While Rule 41(a)(2) does afford the Court authority to impose "terms that the court considers proper," Sheldon does not cite any persuasive legal authority in support of his request for a venue limitation.[2] Additionally, there is no evidence before the Court that Plaintiffs seek a voluntary dismissal in order to refile this case in another venue (and based on the nature of the claim, it appears unlikely that Plaintiff will refile in another venue).

Sheldon does not identify any prejudice that would be mitigated by a venue condition. *See Cross Westchester Dev. Corp. v. Chiulli,* 887 F.2d 431, 432 (2d Cir. 1989) ("The purpose of authorizing terms and conditions on a voluntary dismissal is to protect the defendant from prejudice."); *cf. Versa Prod., Inc. v. Home Depot, USA, Inc.,* 387 F.3d 1325, 1329 (11th Cir. 2004) (holding that a district court did not impose a condition that amounted to legal prejudice against the plaintiff where that district court imposed a same-venue term to prevent re-litigation of a *forum non conveniens* dispute). Accordingly, the district judge should decline to issue a

[2] The only case cited by Sheldon in support of a venue condition is not persuasive. (*See* Def.'s Resp. 12 citing *Bader v. Electronics for Imaging, Inc.*, 195 F.R.D. 659, 662 (N.D. Cal. 2000) ("And the fact that dismissal will result in the loss of the federal forum does not necessarily amount to plain legal prejudice . . . while a change from federal to state court might create a tactical disadvantage to defendants, that is not legal prejudice.").)

condition restricting the venue in the event Plaintiffs decide to refile this case. *See, e.g., Wilson v. Eli Lilly & Co.*, 222 F.R.D. 99, 101 (D. Md. 2004) (granting plaintiff's motion for voluntary dismissal without prejudice in diversity personal injury action against pharmaceutical companies even though possibility existed that if plaintiff refiled the action in a different venue defendants would lose the benefit of a favorable statute of limitations defense). Though such a limitation may be appropriate in certain circumstances, there is no evidence before the Court that it is warranted here.

III. THE "TWO-DISMISSAL" RULE

Finally, Sheldon requests that the Court impose a condition that "should Plaintiffs file another lawsuit asserting the same or similar claims . . . based on the facts of this case and then dismiss that action, such dismissal should operate as an adjudication on the merits under Rule 41 (a)(1)(B)." (Def.'s Resp. 13-14.) FRCP 41(a)(1)(B) sets forth a "two-dismissal" rule, which provides that if a plaintiff voluntarily dismisses without leave of court a second action involving the same claims, the voluntary dismissal operates as a dismissal on the merits. *Id.*; *see also Commercial Space Mgmt. Co. v. Boeing Co.,* 193 F.3d 1074, 1076 (9th Cir. 1999) (noting that the second Rule 41(a)(1) dismissal operates as a decision on the merits and is known as the "two dismissal rule").

Several circuit courts have held that the two-dismissal rule is not implicated by a Rule 41(a)(2) dismissal.[3] *See, e.g., ASX Ins. Corp. v. Newton,* 183 F.3d 1265, 1268 (11th Cir. 1999) (concluding that plaintiff's first dismissal, which occurred by motion and court order pursuant to

[3] District courts in the Ninth Circuit appear to agree that a Rule 41(a)(2) dismissal does not trigger the two-dismissal requirement of Rule 41(a)(1)(B). *See, e.g.*, *Williams v. Seattle Pub. Sch.*, C09-1331RAJ, 2010 WL 3522494, at *3 (W.D. Wash. Sept. 8, 2010) ("A Rule 41(a)(2) voluntary dismissal by court order does not trigger the two-dismissal rule."); *Estate of Migliaccio v. Midland Nat'l Life Ins. Co.*, 436 F. Supp. 2d 1095, 1103 (C.D. Cal. 2006), *as amended* (Aug. 21, 2006) (holding that two-dismissal rule was not implicated when first action was a voluntary dismissal with leave of court).

Rule 41(a)(2), did not implicate the Rule 41(a)(1) two-dismissal rule); *Sutton Place Dev. Co. v. Abacus Mortg. Inv. Co.,* 826 F.2d 637, 640 (7th Cir. 1987) ("[The two dismissal rule] does not apply to a dismissal by stipulation nor to an involuntary dismissal nor to dismissal by court order under Rule 41(a)(2)."); *Poloron Prod., Inc. v. Lybrand Ross Bros. and Montgomery,* 534 F.2d 1012, 1018 (2d Cir. 1976) (holding that "the filing of a notice of dismissal preceded by a dismissal by stipulation knowingly consented to by all parties does not activate the 'two dismissal' bar against bringing an action based on or including the same claim"); *Am. Cyanamid Co. v. McGhee*, 317 F.2d 295, 298 (5th Cir. 1963) ("We can read no two dismissal rule into 41(a)(2)."). Sheldon provides no legal authority to support his request that this Court apply the two-dismissal rule to Plaintiffs' voluntary dismissal under Rule 41(a)(2), nor why it is warranted prospectively. (Def.'s Resp. 13-14.) Standing alone, the fact that Plaintiffs seek dismissal without prejudice is not sufficient to impose a two-dismissal rule as a condition of dismissal under Rule 41(a)(2). *See ASX Ins*., 183 F.3d at 1268 ("The primary purpose of the 'two dismissal' rule is to prevent an unreasonable use of the plaintiff's unilateral right to dismiss an action prior to the filing of the defendant's responsive pleading." (quotations and citation omitted)); *Am. Cyanamid,* 317 F.2d at 297 ("The reason for this arbitrary limitation . . . is to prevent unreasonable abuse and harassment."). For these reasons, the district judge should decline to condition Plaintiffs' Rule 41(a)(2) voluntary dismissal on the two-dismissal rule in Rule 41(a)(1)(B).

CONCLUSION

For the reasons stated, the district judge should GRANT Plaintiffs' Motion for Voluntary Dismissal (ECF No. 19), without prejudice, conditioned on the payment of Sheldon's reasonable costs and attorney's fees incurred to defend this action.

SCHEDULING ORDER

The Findings and Recommendation will be referred to a district judge. Objections, if any, are due fourteen (14) days from service of the Findings and Recommendation. If no objections are filed, the Findings and Recommendation will go under advisement on that date. If objections are filed, a response is due fourteen (14) days after being served with a copy of the objections. When the response is due or filed, whichever date is earlier, the Findings and Recommendation will go under advisement.

DATED this 21st day of September, 2017.

STACIE F. BECKERMAN
United States Magistrate Judge