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 10 ICONIX, INC.

MAR 27 2006

11 UNITED STATES DISTRICT COURT  
 12 NORTHERN DISTRICT OF CALIFORNIA  
 13 SAN JOSE DIVISION

14 ICONIX, INC.,

15 Plaintiff,

16 v.

17 LANCE TOKUDA, JIA SHEN,  
18 NETPICKLE, INC.,

19 Defendants.

20 **COPY** Case No. **SBA**

**VERIFIED COMPLAINT FOR  
 COPYRIGHT INFRINGEMENT,  
 LANHAM ACT VIOLATIONS,  
 BREACH OF FIDUCIARY DUTY,  
 BREACH OF CONTRACT, AND  
 UNFAIR COMPETITION**

**DEMAND FOR JURY TRIAL**

21 Plaintiff Iconix, Inc. ("Iconix") alleges as follows:

22 1. Iconix brings this action against Defendants Lance Tokuda, Jia Shen, and netPickle,  
 23 Inc. (collectively, "the Defendants"). This action arises out of wrongful conduct that began when  
 24 Dr. Tokuda and Mr. Shen were employed by Iconix and stole valuable inventions and software  
 25 code that are owned by Iconix.

26 **THE PARTIES**

27 2. Iconix is a corporation organized and existing under the laws of the state of Delaware  
 28 with its principal place of business in Mountain View, California.

1 3. Defendant Lance Tokuda (“Tokuda”) is a former employee and officer of Iconix;  
2 Tokuda resides in Foster City, California.

3 4. Defendant Jia Shen (“Shen”) is a former employee of Iconix; Shen resides in East Palo  
4 Alto, California.

5 5. Upon information and belief, Defendant netPickle Inc. (“netPickle”) is a corporation  
6 organized and existing under the laws of the State of Delaware and has its principal place of  
7 business in Foster City, California.

8 **JURISDICTION AND VENUE**

9 6. This Court has subject matter jurisdiction over this action pursuant to, *inter alia*, 28  
10 U.S.C. §§ 1331, 1338, 1367, 2201 and the Copyright Act, 17 U.S.C. § 101, *et seq.*

11 7. Venue is proper in this district pursuant to 28 U.S.C. § 1391 because, *inter alia*,  
12 plaintiff Iconix has its principal place of business in this district, a substantial part of the events  
13 and omissions giving rise to the claims occurred here, and the Defendants reside in this district  
14 and are subject to personal jurisdiction in this district.

15 **FACTUAL BACKGROUND**

16 8. Iconix provides email identity services that proactively combat email fraud spawned  
17 by phishing. Phishing is a form of email fraud where senders impersonate legitimate businesses  
18 and organizations to try to get recipients to divulge personal information such as passwords and  
19 account numbers so the senders can steal the recipient’s identity and/or funds from his or her  
20 account.

21 9. Tokuda and Shen began their employment at Iconix in December of 2004.

22 10. Tokuda was the Vice President of Engineering and Chief Technology Officer at Iconix  
23 and was in charge of setting the engineering and development direction for Iconix and for  
24 managing the engineering team. Among other things, Tokuda supervised the development of  
25 Iconix’s new intellectual property and ideas.

26 11. Tokuda was an officer of Iconix.

27 12. Shen was the Manager of Client Development at Iconix and his responsibilities  
28 included overseeing the work of software development.

1 13. As employees of Iconix, Tokuda and Shen both signed contracts entitled, "Proprietary  
2 Information and Inventions Assignment Agreement" (the "Agreements"). The Agreements  
3 provide, in pertinent part that Tokuda and Shen agree to disclose, assign, and transfer to Iconix  
4 "any and all ideas, concepts, inventions, discoveries, developments, know-how, structures,  
5 designs, formulas, algorithms, methods, products, processes, systems and technologies in any  
6 stage of development that are conceived, developed or reduced to practice by [them] alone or  
7 with others..."

8 14. The Agreements also provide that neither Tokuda, nor Shen would "solicit, induce,  
9 recruit or encourage any person employed by [Iconix] to terminate his or her employment."

10 15. The Proprietary Information and Inventions Assignment Agreement that Tokuda  
11 signed and the Proprietary Information and Inventions Assignment Agreement that Shen signed  
12 are attached to this Complaint as Exhibits A and B respectively.

13 16. Moreover, both Tokuda and Shen were aware of Iconix's company policy, which  
14 prohibited moonlighting. This policy is set forth in the Iconix employee handbook, a copy of  
15 which was provided to both Tokuda and Shen when they started work at Iconix, and which both  
16 have acknowledged receiving. Among other things, this anti-moonlighting policy prohibited the  
17 defendants from engaging in any outside activity that created a conflict of interest with their  
18 employment, and required them to obtain permission prior to engaging in any outside activity  
19 which might create such a conflict of interest.

20 17. In the fall of 2005, Iconix was actively generating, developing, and evaluating ideas  
21 for increasing traffic to Iconix's website. This activity included developing new features that  
22 would entice consumers to download Iconix's email identity product.

23 18. Of particular interest to Iconix engineers was the ability to penetrate community  
24 websites such as [www.myspace.com](http://www.myspace.com), where web users create profiles and socially network with  
25 one another.

26 19. In the fall of 2005, Iconix engineers, including Tokuda discussed the idea of creating a  
27 customizable slideshow that would rotate through a user's pictures. The user would download  
28 Iconix's email identity product and then be able to use the customizable slideshow.

1 20. Iconix continued to evaluate the customizable slideshow idea and began to test it as a  
2 marketing strategy by the beginning of 2006.

3 21. In late December of 2005, Tokuda gave notice to Iconix. Tokuda's last day of  
4 employment was January 23, 2006. At the time of his resignation and on his last day of  
5 employment, when asked what he intended to do professionally, Tokuda responded that he had no  
6 definite plans and was not sure.

7 22. On or about January 20, 2006, Iconix discovered that in or around October 2005,  
8 while he was still an officer of Iconix, Tokuda secretly registered the domain name  
9 rockmyspace.com. Prior to that time, Tokuda had covertly begun developing a customizable  
10 slideshow feature for his own personal benefit.

11 23. While an Iconix officer, Tokuda also secretly formed his own company, netPickle  
12 Inc., for the purpose of exploiting the customizable slideshow feature for his own benefit.

13 24. In addition, Tokuda began soliciting other Iconix personnel, including Shen, Ryo  
14 Ishizuka, an Iconix engineer, and Bill Ames, the VP of Sales for Iconix and a member of the  
15 Iconix Board of Directors, to join him in creating his own customizable slideshow business;  
16 Tokuda's solicitation of Shen began on or before October 22, 2005.

17 25. Tokuda's solicitation of Iconix employees and the Defendants' development of a  
18 competing customizable slideshow feature occurred on Iconix's company time and through the  
19 use of Iconix's computers.

20 26. Ultimately, upon information and belief, Tokuda and netPickle also registered the  
21 domain name rockyou.com. Defendants currently market their customizable slideshow feature  
22 using the www.rockyou.com website.

23 27. When Iconix found out that Shen helped Tokuda take Iconix's ideas and property to  
24 form his own customizable slideshow business, Iconix was forced to terminate Shen's  
25 employment.

26 28. On March 13, 2006, Iconix sent the Defendants a letter requesting that they return the  
27 customizable slideshow program and source code to its rightful owner, Iconix, and that they cease  
28

1 and desist all other activity in which they are engaged that uses software or derivative works  
2 owned by Iconix.

3 29. The Defendants refused to do so.

4 **FIRST CLAIM FOR RELIEF: COPYRIGHT INFRINGEMENT**

5 30. Iconix realleges and incorporates by reference paragraphs 1 through 29 from above.

6 31. Iconix holds a valid and enforceable copyright in and to the customizable slideshow  
7 software code.

8 32. Iconix has registered the copyright with the United States Copyright Office,  
9 Registration No. TXu1-272-636.

10 33. The Defendants have infringed Iconix's copyright by reproducing and distributing  
11 copies of this software code in violation of 17 U.S.C. § 106.

12 34. The Defendants have infringed Iconix's copyright by reproducing and distributing  
13 derivative works of this software code in violation of 17 U.S.C. § 106.

14 35. Iconix is entitled to an injunction, damages, profits attributable to the infringement not  
15 taken into account in computing actual damages and an award of attorneys' fees under 17 U.S.C.  
16 § 504.

17 **SECOND CLAIM FOR RELIEF: LANHAM ACT**

18 36. Iconix realleges and incorporates by reference paragraphs 1 through 29 from above.

19 37. On information and belief, the software code implementing the Defendants'  
20 customizable slideshow program, offered and sold by the Defendants contains code that is owned  
21 by Iconix.

22 38. In offering for sale and implementing customizable slideshow programs, the  
23 Defendants represent that they own and/or have a right to use all of the code implementing the  
24 customizable slideshow.

25 39. The Defendants' representation that they are the owners of the code implementing the  
26 customizable slideshow creates confusion as to the origin of their goods, services and other  
27 commercial activities.

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1 40. Further, by failing to provide any attribution that Iconix is in fact the true owner of the  
2 customizable slideshow code, Iconix's contribution to the customizable slideshow program is  
3 masked. This failure of attribution and designation constitutes "false designation or origin" under  
4 Section 43(a) of the Lanham Act.

5 41. The Defendants' acts constitute unfair competition and false designation of origin in  
6 violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

7 42. The Defendants' acts have irreparably damaged Iconix and will continue to so damage  
8 Iconix unless restrained by this Court.

9 43. Plaintiff Iconix is entitled to an injunction under 15 U.S.C. § 1116, and to damages,  
10 the Defendants' profits, and the costs of this action under 15 U.S.C. § 1117.

11 44. The Defendants' acts have been willful and with direct knowledge of Iconix's  
12 ownership interests, making this an "exceptional" case justifying an award against the  
13 Defendants' of treble damages, treble profits, and attorneys' fees.

14 **THIRD CLAIM FOR RELIEF: BREACH OF FIDUCIARY DUTY**

15 45. Iconix realleges and incorporates by reference paragraphs 1 through 29 from above.

16 46. Throughout his employment at Iconix, defendant Tokuda was an officer of Iconix.

17 47. As an officer, Tokuda had a fiduciary duty to act in good faith and in the best interests  
18 of Iconix.

19 48. Tokuda was entrusted by Iconix, in particular, with the responsibility of developing  
20 new features that would entice consumers to download Iconix's email identity product. Tokuda  
21 breached his fiduciary duties to Iconix by, among other things, purporting to act on behalf of  
22 Iconix, when in reality he was acting in furtherance of his own purposes; exploiting his position  
23 and Iconix's know how to create his own company that would compete with Iconix; furthering his  
24 plot on Iconix's company time and using Iconix's resources to do so; inducing employees of  
25 Iconix to work in furtherance of this scheme on Iconix's company time and through the use of  
26 Iconix's company resources; covertly soliciting and/or inducing employees of Iconix to terminate  
27 their employment at Iconix to join a competitor; stealing Iconix's corporate opportunities for  
28 himself; not disclosing ideas, concepts, and inventions that he was obligated to disclose to Iconix;



1 not cooperating in having the rights to his ideas, concepts, and inventions assigned to Iconix; and  
2 engaging in outside activity that created a conflict of interest with his employment, and soliciting  
3 others at Iconix to do so, despite the fact that this was expressly forbidden by Iconix's company  
4 policy.

5 49. Despite his knowledge that Iconix was interested in penetrating community websites  
6 by using new features such as a customizable slideshow, Tokuda did not pursue that goal for  
7 Iconix. Instead he founded his own competing company and stole ideas belonging to Iconix for  
8 his competing company.

9 50. Because of Tokuda's actions, Iconix has lost valuable employees and will be forced to  
10 incur significant time and expense to replace them, has been hindered in its pursuit of a  
11 customizable slideshow feature, and has been deprived of the corporate opportunity that Tokuda  
12 has taken for his own benefit. As a result, Iconix has been damaged in an amount to be proven at  
13 trial.

14 51. The conduct of Tokuda was willful, malicious, fraudulent, and in conscious disregard  
15 of Iconix's rights and interests and, upon information and belief, was undertaken with the intent  
16 to injure Iconix's property and legal rights. Accordingly, an award of exemplary damages is  
17 justified.

18 **FOURTH CLAIM FOR RELIEF: BREACH OF CONTRACT**

19 52. Iconix realleges and incorporates by reference paragraphs 1 through 29 from above.

20 53. As employees of Iconix, Tokuda and Shen signed the Agreements.

21 54. The Agreements provide, in pertinent part, that Tokuda and Shen agree to disclose,  
22 assign, and transfer to Iconix "any and all ideas, concepts, inventions, discoveries, developments,  
23 know-how, structures, designs, formulas, algorithms, methods, products, processes, systems and  
24 technologies in any stage of development that are conceived, developed or reduced to practice by  
25 [them] alone or with others..."

26 55. The Agreements also provided that neither Tokuda, nor Shen would "solicit, induce,  
27 recruit or encourage any person employed by [Iconix] to terminate his or her employment."  
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1 56. The Agreements further provided that “for a period of one (1) year after termination of  
2 my employment with the Company, I shall not directly or indirectly (i) divert or attempt to divert  
3 from the Company (or any affiliate) any business of any kind...”

4 57. Both Tokuda and Shen expressly agreed that “[their] violation of th[e] Agreement  
5 could cause [Iconix] irreparable harm and agree that [Iconix] shall have the right to apply to any  
6 court of competent jurisdiction for an order restraining any breach of threatened breach of th[e]  
7 Agreement.”

8 58. Both Tokuda and Shen breached the Agreements by not disclosing, assigning, and  
9 transferring to Iconix all of their ideas, concepts, and know-how concerning customizable  
10 slideshows despite the fact that those ideas and concepts belonged to Iconix, and by creating a  
11 business based on ideas and technology that belonged to Iconix, using Iconix’s resources to do so.

12 59. Tokuda and, upon information and belief, Shen, breached the Agreements by covertly  
13 soliciting and/or inducing employees of Iconix to terminate their employment at Iconix to join a  
14 competitor.

15 60. Iconix has fulfilled all of its obligations under the Agreements and is not in breach of  
16 any of its covenants under the Agreements.

17 61. Tokuda and Shen’s multiple breaches of the Agreements have caused Iconix damages  
18 in an amount to proven at trial.

19 62. In addition, unless the Defendants are restrained from participating in competing  
20 business and using property and ideas owned by Iconix, Iconix will be permanently and  
21 irreparably harmed. Iconix therefore requests and is entitled to injunctive relief as described more  
22 fully in the Prayer for Relief below.

23 **FIFTH CLAIM FOR RELIEF: UNFAIR COMPETITION**

24 63. Iconix realleges and incorporates by reference paragraphs 1 through 29 and paragraphs  
25 45 through 62 above.

26 64. The Defendants have engaged in unlawful, unfair, and fraudulent business acts. The  
27 Defendants knowingly engaged in unfair competition within the meaning of California Business  
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1 and Professions Code section 17200 by stealing Iconix's ideas and property and fraudulently  
2 passing them off as their own.

3 65. The Defendants deceived Iconix by not disclosing to Iconix ideas and inventions that  
4 are owned by Iconix despite their obligation to do so. The Defendants also misrepresented that  
5 they are the owners of the code implementing the customizable slideshow. These actions deceive  
6 the public as to the source of the products marketed by the Defendants, which, in reality, are  
7 based on technology developed at and owned by Iconix.

8 66. Tokuda and Shen knew they were unlawfully and fraudulently stealing Iconix's ideas  
9 and property when they sought to found a competing business.

10 67. The unfair practices are continuing in that the Defendants have refused to return  
11 Iconix's property to Iconix and to stop using Iconix's software code and materials.

12 68. As a direct and proximate result of this conduct, the Defendants have received, and are  
13 making use of technology that rightfully belongs to Iconix.

14 69. Accordingly, Iconix is entitled to restitution and the return of its technology.

15 70. Iconix is further entitled to a temporary, preliminary, and permanent injunction  
16 pursuant to Business and Professions Code section 17203 restraining and enjoining the  
17 Defendants from using Iconix's technology.

18 71. Upon information and belief, Tokuda and Shen acted maliciously and with the intent  
19 of injuring Iconix, including by: purporting to act on behalf of Iconix, when in reality they were  
20 acting in furtherance of their own purposes; exploiting their positions and Iconix's know how to  
21 create a company that would compete with Iconix; furthering their plot on Iconix's company time  
22 and using Iconix's resources to do so; inducing employees of Iconix to work in furtherance of this  
23 scheme on Iconix's company time and through the use of Iconix's company resources; covertly  
24 soliciting and/or inducing employees of Iconix to terminate their employment at Iconix to join a  
25 competitor; stealing Iconix's corporate opportunities for themselves; not disclosing ideas,  
26 concepts, and inventions that they were obligated to disclose to Iconix; not cooperating in having  
27 the rights to their ideas, concepts, and inventions assigned to Iconix; and engaging in activities  
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1 that created a conflict of interest with their employment, despite the fact that this was expressly  
2 forbidden by Iconix's company policy.

3 72. Accordingly, Iconix is entitled to punitive damages in an amount to be established at  
4 trial, in addition to the other relief requested below.

5 **PRAYER FOR RELIEF**

6 WHEREFORE, Iconix prays for a judgment against the Defendants that:

7 1. Temporarily, preliminarily, and permanently enjoins the Defendants from (1) copying  
8 or distributing Iconix's copyrighted software code and from creating derivative works of Iconix's  
9 copyrighted software code; (2) further violations of Section 43(a) of the Lanham Act; and (3)  
10 from using Iconix's technology.

11 2. Awards Iconix damages (actual or statutory, if Iconix were to elect statutory  
12 damages), profits attributable to the infringement not taken into account in computing actual  
13 damages and an award of attorneys' fees under 17 U.S.C. § 504 for Iconix's copyright  
14 infringement;

15 3. Declares that the Defendants have engaged in willful copyright infringement under 17  
16 U.S.C. § 504(c);

17 4. Declares that Iconix owns the copyright to all customizable slideshow software and  
18 source code written by (or written at the direction of) Tokuda and/or Shen after their employment  
19 at Iconix began;

20 5. Awards compensatory damages in an amount to be proven at trial arising from the  
21 Defendants' violations of the Lanham Act;

22 6. Awards to Iconix an accounting of Defendants' profits and an award of those profits in  
23 an amount to be proven at trial;

24 7. Awards Iconix its costs and expenses of suit incurred and attorneys' fees as allowed  
25 by law;

26 8. Awards treble damages for willful violations of the Lanham Act;

27 9. Awards restitution and the return of all material owned by Iconix that is in the  
28 Defendants' possession, custody, or control;

1           10. Awards specific performance of The Agreements by requiring the Defendants to  
2 assign and transfer to Iconix all customizable slideshow software and source code written by (or  
3 written at the direction of) Tokuda and/or Shen after their employment at Iconix began;

4           11. Awards punitive damages in an amount to be established at trial; and

5           12. Grants Iconix such other and further relief as the Court may deem proper.

6  
7 Dated: March 27, 2006

KENNETH A. KUWAYTI  
TIMUR S. ENGIN  
MORRISON & FOERSTER LLP

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10 By:   
Kenneth A. Kuwayti

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Attorneys for Plaintiff  
ICONIX, INC.

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**JURY DEMAND**

Pursuant to Federal Rule of Civil Procedure 38(b), Iconix, Inc. hereby demands trial by jury of all issues properly triable thereby.

Dated: March 27, 2006

KENNETH A. KUWAYTI  
TIMUR S. ENGIN  
MORRISON & FOERSTER LLP

By:   
Kenneth A. Kuwayti

Attorneys for Plaintiff  
ICONIX, INC.

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**FED. R. CIV. P. 7.1 DISCLOSURE AND**  
**CERTIFICATION OF INTERESTED ENTITIES OR PERSONS**

Pursuant to Federal Rule of Civil Procedure 7.1, Iconix, Inc. states that it has no parent corporation, and no publicly traded corporation owns 10% or more of the stock of Iconix, Inc.

Pursuant to Local Rule 3-16, the undersigned certifies that as of this date, other than the named parties, there is no such interest to report.

Dated: March 27, 2006

KENNETH A. KUWAYTI  
TIMUR S. ENGIN  
MORRISON & FOERSTER LLP

By:   
Kenneth A. Kuwayti

Attorneys for Plaintiff  
ICONIX, INC.

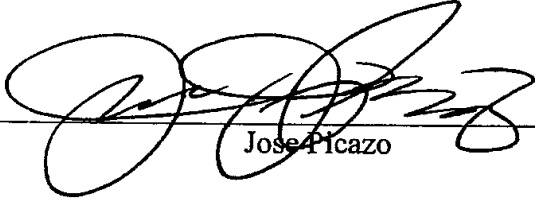
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**VERIFICATION**

I, Jose Picazo, am Chief Executive Officer of Iconix, Inc. I am authorized to make this oath on behalf of Iconix, Inc. I have read Iconix's Verified Complaint for Copyright Infringement, Lanham Act Violations, Breach of Fiduciary Duty, Breach of Contract, and Unfair Competition and know the contents thereof. I am informed and believe that the matters stated therein are true and correct and on that ground allege that the matters stated therein are true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at Palo Alto, California on March 27, 2006.

  
\_\_\_\_\_  
Jose Picazo