

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Civil Action No. 02-M-1662 (MJW)

ROBERT HUNTSMAN, et al.,

Plaintiffs and Counterclaim Defendants

v.

STEVEN SODERBERGH, et al.,

Defendants and Counterclaimants.

**CLEARPLAY INC.'S REPLY BRIEF IN SUPPORT OF THE PLAYER
CONTROL PARTIES' MOTION FOR SUMMARY JUDGMENT ON THE
STUDIOS' COPYRIGHT CLAIMS**

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Counterclaim Defendant and Counterclaimant ClearPlay Inc. (“ClearPlay”) files this reply memorandum in support of the Player Control Parties’ motion for summary judgment as to copyright infringement claims brought by Metro-Goldwyn-Mayer Studios, Inc., Time Warner Entertainment Co. L.P., Sony Pictures Entertainment, Disney Enterprises, Inc., Dreamworks L.L.C., Universal City Studios, Inc., Twentieth Century Fox Film Corp., and Paramount Pictures Corp. (collectively the “Studios”).

PRELIMINARY STATEMENT

The Studios’ opposition rests upon a misreading of the Copyright Act, neglect and misdescription of the case law, and a variety of ill-fitting analogies and arguments. Examined clearly and measured against the record, they establish no genuine issue of material fact, or any basis in the law, to thwart summary judgment for ClearPlay.

The conclusion of the Studios’ argument, at the end of their opposition brief, is remarkable. According to the Studios, ClearPlay is “somewhat akin to a counterfeiter selling fake Rolex watches on the street.” Studios’ Opposition at 50. (Perhaps the Studios forget that they have pressed *copyright* claims, not *trademark* claims.) Their inflammatory analogy seeks to distract attention from the fact that a user of ClearPlay’s software *must still purchase or rent the relevant DVD to use with the software*. A more apt analogy to ClearPlay is not a Rolex counterfeiter, but instead a company that produces a tool to allow a Rolex owner to adjust a watch’s display, for example, if the watch owner wants to set the watch five minutes fast.¹

¹ The Studios’ other analogies, evidently relied upon as critical to their arguments, are equally inapt. Instead of showing that ClearPlay actually infringes copyright, the Studios repeatedly argue that ClearPlay’s technology causes the *functional equivalent* of infringing works. While “functional equivalence” arguments may be relevant later if the case does not conclude with this motion – they work *in ClearPlay’s favor* on questions of fair use – they are not relevant to the present dispute over the scope of the “derivative works” right. Copyright law does not impose liability on the creation of mere “functional equivalents” of infringing works. To cite just one example, digital and analog transmissions of sound

The Studios specifically claim that ClearPlay is liable for *direct* infringement of the derivative works right because ClearPlay produces software including “filter files.”² But the Studios do not claim that the filter files themselves are derivative works. Studios’ Opposition at 41. They allege instead that the filter files “when used in conjunction with DVDs containing the Studios’ motion pictures, create unlawfully edited or otherwise altered versions of the Studios’ motion pictures.” Motion Picture Studios’ First Amended Counterclaims, ¶ 106. The Studios call the phenomena on consumers’ DVD equipment “Edited Motion Pictures.” But the Studios do not claim *contributory* infringement by ClearPlay for having enabled those consumers to make derivative works.

The exclusive right of a copyright holder under 17 U.S.C. § 106(2) is the right to *prepare* derivative works. In the context of “Edited Motion Pictures” as discussed by the Studios -- the altered playback of motion pictures by consumers who combine (1) ClearPlay software with (2) the consumers’ DVD player and television equipment and (3) DVDs the consumers bought or rented in the marketplace -- it is the consumers, not ClearPlay, who *prepare* the playback in consumers’ homes.

recordings are the functional equivalent of each other, but copyright law regulates them entirely differently. *See*, for example, the Digital Performance Rights in Sound Recordings Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (1995) (adding a new exclusive right of the copyright holder with respect to *digital*, but not analog, sound recordings in 17 U.S.C. § 106(6) and amending, *inter alia*, 17 U.S.C. §§ 114 and 115); *cf.* Audio Home Recording Act of 1992, Pub. L. No. 102-563, 106 Stat. 4237 (1992) (amending title 17 of United States Code by adding new chapter 10, sections 1001-1010, to regulate digital technology design, impose royalties on digital recording products, and providing immunities for some but not all forms of digital recordings). Copyright statutes, enacted by Congress, have defined the scope of copyright protection, and the Supreme Court has cautioned courts away from invading Congress’s prerogative in expanding the boundaries of copyright protection. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 430 (1984). Any new expansion of the scope of copyrighted works based on “functional equivalence” is not for a court to establish.

² ClearPlay prepares software programs, namely DVD player navigation software and “filter files,” which contain timing instructions for the DVD player navigation software. The software programs automate skipping and muting instructions to a DVD player that allow a consumer to experience -- at his or her own initiative, by activating the software -- a motion picture without objectionable segments or language. There is no dispute regarding the fact that ClearPlay’s software programs incorporate no material from the Studio’s motion pictures.

The Studios allege a fact pattern that screams out “*contributory* infringement.” But they have expressly forsworn such a theory, and they resolutely explain that they press only *direct* infringement claims. See Motion Picture Studio Defendants’ Statement Clarifying Claims at 2-3 (“Question 1. Are you asserting claims of direct or contributory infringement? [Answer:] The copyright and Lanham Acts claims in the Studios’ counterclaims are for direct infringement.”) See also Transcript of February 14, 2003 Scheduling Conference at 13:8-13, attached as Exhibit A-1 to Player Control Parties’ Corrected Opening Brief in Support of Motion for Summary Judgment.

Why do the Studios engage in such contortions? There are three probable reasons. First, they likely wish to avoid the political and market risks of accusing their own consumers -- persons who have paid to buy or rent their motion picture DVDs -- of being infringers when those consumers play the DVDs as they wish, with their own equipment, in their own homes. Second, as the Studios’ counsel acknowledged in open court (see Transcript of February 14, 2003 Scheduling Conference at 13:8-13, attached as Exhibit A-1 to Player Control Parties’ Corrected Opening Brief in Support of Motion for Summary Judgment), the consumers’ use of the software to enjoy an altered experience of a motion picture is likely fair use, and not an infringement at all. Third, the Studios cling to the Ninth Circuit’s decision in *Micro Star* as their only straw; that decision involved complex and unique facts, and the Ninth Circuit analyzed what would appear to be contributory infringement issues through the lens of direct infringement.

In pressing their case that the phenomena that consumers enjoy -- the modified experience of a motion picture -- when they use ClearPlay software with genuine DVDs on their DVD drives is an infringing derivative work, the Studios seek to write the

“fixation” prerequisite out of the concept of a “derivative work.” To do so they must ignore the plain language of the Copyright Act, ignore or misdescribe all existing case law on the issue, and ignore the views of the nation’s leading copyright commentator, relying instead upon a mere wisp of legislative history.

This Court need not join the Studios’ contortions and need not be distracted from a straightforward application of the Copyright Act. The copyright statutes are clear on the prerequisite of fixation, and even taking the Studios’ *Micro Star* argument in its most favorable light, there is no basis for ClearPlay’s liability. The undeniable facts at the bottom of this motion are that (1) the only works that ClearPlay has “fixed” -- its software programs -- are not argued by the Studios to be infringing derivative works; (2) those software programs do not incorporate or replace any content in the Studios’ motion pictures; (3) consumers, not ClearPlay, cause their experiences of a motion picture to be changed when consumers combine ClearPlay’s software with their own DVD equipment and DVDs that they have bought or rented in the marketplace; and (4) there is no fixation of the consumers’ home experience when they combine ClearPlay software, their home DVD player, and the Studios’ motion picture DVDs.

The Studios cannot controvert the material facts with respect to ClearPlay in the Player Control Parties’ moving papers. This is evident by the Studios’ failure to respond directly to the material facts identified by ClearPlay and by the Studios’ invoking their own “facts,” which are instead a collection of legal arguments stated as conclusions, assertions unsupported by evidence, or immaterial points.

There remains, at the end, no dispute about the material facts that, under the law, compel summary judgment in ClearPlay’s favor. Nor is there any need to postpone the

inevitable outcome in this case. ClearPlay respectfully asks the Court to grant summary judgment in its favor at this time.

ARGUMENT

Copyright is a limited right. As one court summarized the point well:

It is well established that copyright protection “has never accorded the copyright owner complete control over all possible uses of his work.” *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 78 L. Ed. 2d 574, 104 S.Ct. 774 (1984). *See also White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1, 19, 52 L. Ed. 655, 28 S. Ct. 319 (1908). The Supreme Court stated that a person does not infringe a copyright by using the work in an unauthorized manner which occurs outside the scope of the copyright holder’s exclusive rights. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 155, 45 L. Ed. 2d 84, 95 S. Ct. 2040 (1975).

Lee v. Deck the Walls, Inc., 925 F. Supp. 576, 580 (N.D. Ill. 1996).

In particular, copyright law does not entitle the Studios to control how consumers view legally obtained motion picture DVDs on their television or computer screens in their own homes. The rights of a copyright owner enumerated in 17 U.S.C. § 106 do not reach that far.

ClearPlay is entitled to summary judgment because in light of the uncontroverted facts no theory asserted by the Studios can succeed. ClearPlay cannot be liable for direct infringement for alleged derivative works consisting of audiovisual displays caused by consumers who use ClearPlay’s software in conjunction with genuine motion picture DVDs and the consumers’ own equipment.³

³ The Studios concede in their opposition that ClearPlay does not violate the Studios’ right of reproduction, right of public display, or right of public performance of their works under Sections 106(1), 106(4), and 106(5) of the Copyright Act.

I. THE STUDIOS HAVE IGNORED THEIR BURDEN OF DEMONSTRATING A GENUINE ISSUE OF MATERIAL FACT REGARDING CLEARPLAY IN CONNECTION WITH THIS MOTION.

ClearPlay established in its opening brief and supporting affidavits that it does not reproduce, prepare derivative works based upon, distribute, publicly display, or publicly perform copyrighted works of the Studios. While the party moving for summary judgment bears the initial burden of showing the absence of a genuine issue of material fact, that burden is met simply by “‘showing’ -- that is, pointing out to the district court -- that there is an absence of evidence to support the nonmoving party’s case.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 325 (1986); *Universal Money Ctrs. v. Am. Tel. & Tel. Co.*, 22 F.3d 1527, 1529 (10th Cir. 1994). As a consequence, the burden shifted to the Studios to “set forth *specific facts* showing that there is a *genuine issue* for trial as to those dispositive matters for which it carries the burden of proof.” *Universal Money Ctrs.*, 22 F.3d at 1529 (emphasis in original) (quoting *Applied Genetics Int’l v. First Affiliated Sec.*, 912 F.2d 1238, 1241 (10th Cir. 1990)).

The Studios ignored the Player Control Parties’ Statement of Uncontroverted Facts, effectively conceding that they are uncontested. Instead, the Studios presented a set of alternative “facts,” which are really a collection of legal conclusions and immaterial or unsupported points that do not raise any genuine issues of fact with respect to this motion.

In connection with the discovery in this case, ClearPlay produced the source code of its consumer software application, unencrypted versions of its filter files, highly confidential patent applications covering its technology products, and even the proprietary software (including source code) that ClearPlay uses internally to create the

filter files. *See* Chen Decl., ¶¶ 2-7 and Exhs. 1-6. The Studios' silence in their opposition on how the ClearPlay software technology operates and their failure to contradict ClearPlay's factual statement confirm that there is no dispute of material fact regarding ClearPlay's software products, what the software products contain, and how the software products operate.

The Studios casually mention in a footnote that, if the Court is not inclined to deny the Player Control Parties' Motion for substantive reasons, the Motion should be continued pursuant to Rule 56(f) to allow for further discovery, and they refer to the Directors' opposition brief and Rule 56(f) Declaration of Catherine S. Bridge. As stated in ClearPlay's Reply to the Directors' Opposition, filed separately, Ms. Bridge's Rule 56(f) Declaration fails to identify any outstanding discovery issues concerning ClearPlay that would be reasonably expected to create a genuine issue of material fact. There is no reason for the Court to defer the grant of summary judgment to ClearPlay pursuant to Rule 56(f). *See* ClearPlay's Reply Brief in Support of the Player Control Parties' Motion for Summary Judgment on the Director Parties' Claims at 16-17.

II. THE STUDIOS' CONTORTED AND CONTRADICTIONARY THEORIES CONFUSE CONCEPTS OF DIRECT INFRINGEMENT WITH THOSE OF CONTRIBUTORY INFRINGEMENT AND REQUIRE RELIANCE ON FACTS THAT CANNOT BE PROVED.

The Studios' arguments are riddled with contradictions. Foremost among them is their discussion of the relationship between ClearPlay's "filter files" and what the Studios describe as "Edited Motion Pictures."

The Studios asserted the following in their opposition:

The [Player Control Parties] create their edited versions of the Studios' motion pictures as follows: they employ someone to watch the movie (not necessarily anyone with any background in film editing), and this person decides which

scenes and which dialogue he or she thinks should be deleted from the playback of the motion picture and places appropriate detailed instructions in a motion picture-specific “Filter File.” This edited version of the motion picture (referred to hereafter as an “Edited Motion Picture”) is created by [a Player Control Party] employee (or other person working on its behalf); it is not created by the ultimate consumer.

Studios’ Opposition at 3.

Later in their opposition, however, they make it clear that the Edited Motion Picture is not *itself* the filter file: they accuse the Player Control Parties of “focusing on the wrong ‘derivative work’ (*i.e.*, the Filter File rather than the Edited Motion Picture).”

Studios’ Opposition at 41.

What, then, is the Edited Motion Picture, if it is not itself the filter file? Manifestly, as the Studios have defined it, it is the “edited *version* of the motion picture,” which is the Studios’ characterization of what they have described as the *altered playback* of the motion picture.

This definition exposes a critical causation flaw in the Studios’ argument. ClearPlay does not itself create, prepare, or cause the *playback* of any motion picture. It is the consumer, using ClearPlay software in connection with the consumer’s DVD equipment and a genuine motion picture DVD that the consumer has bought, who directly causes the altered playback by choosing to use the ClearPlay software while playing the DVD at home.

That point explains the confusion in the Studios’ case between contributory infringement and direct infringement. If ClearPlay were liable for the altered experience a consumer enjoys, caused by the consumer’s active application of the ClearPlay software to the replay of a genuine DVD, then it could be only as a contributory infringer in light of some underlying direct infringement by the consumer.

The Studios' pleadings and later clarifying statement expose their problem glaringly. In their First Amended Counterclaim, the Studios allege that the filter files "*when used in conjunction with DVDs containing the Studios' motion pictures, create unlawfully edited or otherwise altered versions of the Studios' motion pictures.*" Studios' First Amended Counterclaim, ¶ 106 (emphasis added). Notably the Studios do not say that the filter files themselves *are* altered versions: the Studios say that the filter files *create* altered versions. Nor do the filter files create altered versions by themselves – only "*when used in conjunction with DVDs*" Left unspoken in that articulation is who uses the filter files in that context: the consumers.

Elsewhere, the Studios are more explicit:

ClearPlay creates and, via its web site at www.clearplay.com, publicly distributes *software which, when downloaded and used by a consumer in conjunction with a computer DVD drive and a DVD containing the Studios' motion pictures, causes an edited or otherwise altered version of the Studios' motion pictures to be created and performed on a consumers' computer monitor or attached television monitor.*

Studios' First Amended Counterclaim, ¶ 52 (emphasis added). From this, it is clear that ClearPlay's software is not an "altered version" of a motion picture; the software *causes* an altered experience *when used by a consumer*. This describes a classic fact pattern for *contributory, not direct* infringement,⁴ if at all, and the Studios have made it clear that they do not press claims for contributory infringement. *See* Motion Picture Studio Defendants' Statement Clarifying Claims at 2-3 ("Question 1. Are you asserting claims of direct or contributory infringement? [Answer:] The copyright and Lanham Acts

⁴ While direct copyright infringement involves liability of the actual infringer of a copyrighted work, contributory copyright infringement involves secondary liability of a third party for contributing to, or *causing*, the actual infringer's conduct. For instance, contributing products that enable and provide the means to infringe is a form of contributory infringement. *See generally* 3 *Nimmer* § 12.04[A][2]; *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417 (1984).

claims in the Studios' counterclaims are for direct infringement.") *See also* Transcript of February 14, 2003 Scheduling Conference at 13:8-13, attached as Exhibit A-1 to Player Control Parties' Corrected Opening Brief in Support of Motion for Summary Judgment.

Another way of looking at this is that the Studios face a fatal causation obstacle. To the extent the Studios insist on claiming that ClearPlay is liable for *direct* infringement for the altered *playback* (assuming what is not proved, namely that altered playback is an infringement), they must prove that ClearPlay *causes* the altered playback. The fact that ClearPlay makes software that consumers may use to cause an altered playback does not constitute ClearPlay's causation of the altered playback, and it does not constitute direct infringement. Consumers are the masters of the decision whether to use ClearPlay's software when playing back their own DVDs. Accordingly, the Studios cannot raise a genuine issue of material fact as to causation with respect to derivative works alleged to arise from the altered *playback* of motion pictures, and they cannot raise a genuine issue of material fact with respect to direct infringement by ClearPlay.

Conscious of this fatal flaw in their argument, the Studios resort to sophistry by alleging that "unauthorized edited versions" of films -- called in their brief "Edited Motion Pictures" -- are really embodied within the filter files, while not being the same as the filter files. Thus, in their later statement clarifying their claims, the Studios tried to cover their tracks by misdescribing ClearPlay's products as "edited versions of motion pictures" instead of navigation software and filter files that consumers use to cause altered playback of motion pictures. In their clarifying statement, the Studios alleged as follows:

Based upon the Studios' current knowledge and understanding of the various [Player Control Parties'] products or services, the unauthorized derivative works

created by the [Player Control Parties] include, without limitation, (1) the edited version (or versions) of a Studio's film which is created by the [Player Control Parties] based upon the Studios' copyrighted films, and (2) products (e.g. software) based upon the Studios' copyrighted films and containing film-specific codes for video display devices (such as DVD players or computer DVD drives) for the playback of unauthorized edited versions of the Studios' films. The copyrighted material incorporated in these derivative works is the creative expression embodied in the Studios' copyrighted films.

Motion Picture Studio Defendants' Statement Clarifying Claims (March 11, 2003) at 5.

See also id. at 3.

What is new in these clarifying statements, as opposed to the First Amended Counterclaims, is the allegation that ClearPlay creates "edited versions" of films as opposed to products that consumers use to cause altered playback of films. The Studios say this to bring their case within a single Ninth Circuit decision, *Micro Star v. FormGen, Inc.*, 154 F.3d 1107 (9th Cir. 1998), which engaged in a novel and complex direct infringement analysis of unique facts, not applicable here, involving videogame software and its audiovisual displays. *Micro Star* does not support the Studios' claims in this case, as ClearPlay will show below.

Under the Studios' formulation, ClearPlay appears to be providing different products identified in their clauses numbered (1) and (2) above. In reality, however, (1) and (2) are just different descriptions of the same thing, because ClearPlay produces only software with timing instructions for DVD navigation.

With respect to the alleged infringements in clause (1) of each of these statements, there is no evidence in the record that ClearPlay creates "edited versions of the Studios' films." The evidence is undisputed that the closest ClearPlay comes to that is to create software that includes timing instructions to be used for replay of motion pictures. No motion picture content is contained in any of ClearPlay's products. With respect to the

alleged infringements in clause (2), *products used to cause the playback* of unauthorized edited versions of films only when used with the genuine DVDs that furnish the content of the playback, are not themselves derivative works and cannot cause liability for direct infringement.

Because the Studios cannot show any factual basis for direct infringement by ClearPlay, the Court should grant summary judgment to ClearPlay at this time.

III. THE STUDIOS CANNOT RAISE A MATERIAL ISSUE OF FACT REGARDING DIRECT INFRINGEMENT ARISING FROM CLEARPLAY'S CREATION OF PRODUCTS USED BY CONSUMERS TO CAUSE ALTERED PLAYBACK OF MOTION PICTURE DVDs.

A. The Studios' Assertion That ClearPlay Should Be Liable For Products Used by Consumers To Create Altered Playback of Motion Pictures Would Implicate Contributory, Not Direct, Infringement, if at All, And The Studios Have Expressly Forsworn a Contributory Infringement Theory.

As shown above, the Studios have claimed that ClearPlay should be liable for creating products “which, *when downloaded and used by a consumer* in conjunction with a computer DVD drive and a DVD containing the Studios' motion pictures, *causes* an edited or otherwise altered version of the Studios' motion pictures to be created and performed on a consumers' computer monitor or attached television monitor.” Studios' First Amended Counterclaim, ¶ 52 (emphasis added). Leaving aside for the moment whether an “altered version . . . on a consumer's computer monitor or attached television monitor” is an infringement at all, the allegation is clear that it is the consumer's use of ClearPlay software, in conjunction with the consumer's equipment and a DVD, that causes the alleged infringement. As shown above, this states a fact pattern of contributory, and not direct, infringement, but the Studios have expressly jettisoned any contributory infringement claim. Because this fact pattern cannot establish direct

infringement, ClearPlay is entitled to summary judgment on the direct infringement claim.

B. The Studios Cannot Establish That ClearPlay *Causes* Altered Playback of Motion Pictures When They Concede That The Altered Playback Is Caused by Consumers Who Use ClearPlay's Products.

Similarly, the Studios cannot establish any fact showing that ClearPlay causes the alleged infringement that takes place on the consumers' computer or television monitors when a consumer enjoys an altered playback of a motion picture. The Studios have clearly alleged the consumer's central, and direct causation-breaking, role in bringing together the genuine DVD, the ClearPlay software, and the consumer's DVD equipment to create the altered experience. To the extent the Studios seek remedies for direct liability for a consumer's playback, they cannot show that ClearPlay *caused* the altered playback. For that reason ClearPlay is also entitled to summary judgment on the direct copyright infringement claim.

C. ClearPlay's Filter Files (As Opposed to The Audiovisual Displays on Consumers' Equipment) Themselves Are Not Derivative Works, And in Any Event The Studios Appear to Have Dropped Such an Argument.

The undisputed facts show that ClearPlay's filter files themselves (distinguished from the audiovisual displays) are not "derivative works." In order to be actionable, a derivative work must both incorporate copyrightable expression from the original copyrighted work and be substantially similar to the original work. *See Alcatel USA, Inc. v. DGI Techs.*, 166 F.3d 772, 788 n.54 (5th Cir. 1999) (citing 2 *Nimmer* § 8.09[A], at 8-128); *Litchfield v. Spielberg*, 736 F.2d 1352, 1357 (9th Cir. 1984), *cert. denied*, 470 U.S. 1052 (1985).

As discussed above and in the Player Control Parties' opening brief, ClearPlay's filter files neither incorporate any copyrightable content from the Studios' motion pictures nor are substantially similar to the motion pictures. The filter files consist solely of timing codes and skip/mute instructions that affect the playback of a motion picture DVD. The motion picture DVD contains the content that is played back. Because these facts are undisputable, the filter files themselves cannot be said to constitute infringing derivative works.

In any event, the Studios appear to have dropped their claim that the filter files themselves are infringing derivative works. In their brief they identify what they call the "Edited Motion Picture" as "the" infringing derivative work. Studios' Opposition at 3. They also refer solely to "Edited Motion Pictures" as the alleged derivative works throughout their brief. Moreover, the Studios chastise the Player Control Parties for discussing the filter files in the opening brief by accusing them of "focusing on the wrong 'derivative work' (*i.e.*, the Filter File rather than the Edited Motion Picture)." Studios' Opposition at 41. For these reasons, this Court should rule that ClearPlay's filter files do not infringe upon any "derivative works" right.

IV. THE STUDIOS CANNOT RAISE A MATERIAL ISSUE OF FACT REGARDING DIRECT INFRINGEMENT ARISING FROM CLEARPLAY'S ALLEGED CREATION OF DERIVATIVE WORKS CONSISTING OF THE AUDIOVISUAL DISPLAYS DURING ALTERED PLAYBACK OF MOTION PICTURE DVDs.

In seeking to control consumers' private experience through a legal attack on vendors of technology that the consumers use, the Studios accuse the Player Control Parties, including ClearPlay, of preparing "derivative works," and they try to stretch the

meaning of “derivative works” to include the intangible phenomena that consumers experience.

The Studios ask this Court to endorse a radical proposition, namely that the audiovisual displays viewed by consumers when using ClearPlay software in conjunction with motion picture DVDs are derivative works. In so doing, the Studios ask this Court to adopt an erroneous standard of law, namely, that fixation is not a requirement for infringing derivative works (although the Studios admit that fixation is required for non-infringing derivative works). In fact, under the unambiguous statutory language of the Copyright Act, all existing case law, and sound statutory interpretation law and policy, derivative works must be fixed, or embodied in a concrete or permanent form, for both protection and infringement purposes.

In addition, the Studios ask the Court to ignore common sense and unimpeachable facts when they argue that the *phenomena consumers experience* are indeed “fixed” or embodied “in some concrete or permanent form” in ClearPlay’s products. The copyrighted work always physically resides only on the genuine DVD obtained by the consumer.

A. An Infringing Derivative Work Must Be “Fixed,” or Incorporate a Protected Work in Some Concrete or Permanent Form.

1. The Plain Meaning of The Statutory Language of The Copyright Act Imposes a Fixation Requirement For Derivative Works.

The Copyright Act defines a “derivative work” as

a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a “derivative work.”

17 U.S.C. § 101.

The definition unambiguously states that a “derivative work” is, first and foremost, a “work.” According to the Copyright Act, “a work is ‘created’ when it is fixed in a copy or phonorecord” 17 U.S.C. § 101. Thus, it naturally follows that a derivative work is not created until it is fixed in a permanent form. *See* 17 U.S.C. § 101. *See also* Melville B. Nimmer and David Nimmer, 2 *Nimmer on Copyright* § 8.09[A], at 8-141, 8-142 (2002).

The Studios admit that the Copyright Act requires fixation of derivative works for purposes of copyrightability, but they claim that the Copyright Act exempts derivative works from the same fixation prerequisite for infringement purposes. As support for their theory, the Studios argue that the definition of “derivative work” does not specifically cite fixation as a prerequisite. In fact, the definition of “derivative work” does specifically include a fixation prerequisite because a “derivative work” is a “work,” which is not created until it is fixed. 17 U.S.C. § 101.

Further, the Copyright Act also provides definitions of numerous other terms that incorporate the word “work” which do not specifically cite fixation as a prerequisite beyond the reference to being “works,” but which clearly must be fixed in order to be protected or to infringe. For example, the definitions of “collective work,” “joint work,” and “pictorial, graphic, and sculptural works” do not specifically include a fixation prerequisite beyond noting that they are first and foremost, types of “works.” 17 U.S.C. § 101.

The Studios also wrongly rely on the definition of “fixed” in Section 101. That definition states:

A work is fixed in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. . . .

17 U.S.C. § 101. The Studios argue that the reference to “by or under the authority of the author” must mean that works may only be fixed if authorized and therefore, fixation is not required or even possible for infringing derivative works because they are prepared without the author’s authorization. Studios’ Opposition at 26. This reading of the statute is flawed.

The author of a derivative work is the person who contributes material to the derivative work that is distinguished from the preexisting material. *See* 17 U.S.C. § 103(b). When a derivative work is fixed “by or under the authority of the author,” the “author” is the *author of the derivative work*, not the author of the *preexisting work*. The lack of authorization by the author of the preexisting work does not preclude “fixation” of a derivative work. The Studios’ flawed argument on this point is no basis to depart from the plain meaning of the statutory language that establishes fixation as a prerequisite for “works” under the Copyright Act.

Further, accepting the Studios’ reasoning would mean that even infringement of the § 106(1) right “to reproduce the copyrighted work in copies or phonorecords” would not require fixation, which would be nonsensical because the Copyright Act defines “copies” as “material objects in which a work is fixed.” 17 U.S.C. § 101. To adopt the Studios’ interpretation of “fixed” would mean that copies may also only be “fixed” “by or under the authority of the author,” thereby eliminating any possibility of having infringing “copies” under § 106(1).

For these reasons, there is no basis for the Studios' argument that the definition of "derivative works" contains a double standard. The fixation prerequisite applies to all.

2. Case Law Unanimously Recognizes The Requirement of Fixation, or Incorporation of a Protected Work in Some Concrete or Permanent Form, For Allegedly Infringing Derivative Works.

The Studios state, "no court in this or any Circuit has held that 'fixation' is required for finding an infringing derivative work." Studios' Opposition at 28.

Two very recent decisions by the District Court in the Eastern District of Virginia and the District Court in the Eastern District of Michigan have held that fixation is required for infringing derivative works. These two cases involved claims by web site owners against a company that distributes products that cause pop-up advertisements to be superimposed on the web sites when consumers use their computers to visit the web sites.

In *Wells Fargo & Co. v. WhenU.com Inc.*, No. 03-71906, 2003 U.S. Dist. LEXIS 20756, at *103 (E.D. Mich. Nov. 19, 2003), the plaintiff alleged that its copyrighted web site was infringed because the pop-up advertising changed the appearance of the web site. The court noted that the pop-up advertising "temporarily changes the way the sites are viewed by consumers. As soon as the advertisements are 'disconnected' -- that is closed or minimized -- plaintiff's sites revert to their original form." *Wells Fargo & Co.* at *103.

The court also noted that:

WhenU is not copying or making additions to or deletions from plaintiffs' actual copyrighted works. Contrary to plaintiffs' claim, WhenU has not added anything to plaintiffs' web pages. If one were able to look at the HTML code of plaintiffs' sites, one would not see any changes as a result of WhenU's advertisements."

Id. at *101-*102.

The court rejected the plaintiffs' claim that the altered appearance of the plaintiffs' web sites constituted a derivative work. The court stated:

Plaintiffs base their allegations of copyright violation on the assertion that, because WhenU ads modify the pixels on a computer user's on-screen display, this modification creates a "derivative work." The Court finds this argument unpersuasive in light of plaintiffs' expert's admission that pixels form part of the hardware of a computer and are owned and controlled by the computer user who chooses what to display on the screen. Plaintiffs do not have any property interest in the content of a user's pixels, much less a copyright interest.

Further, in order for a work to qualify as a derivative work, it must be independently copyrightable. *Woods v. Bourne Co.*, 60 F.3d 978, 990 (2d Cir. 1995). To be independently copyrightable, it must be "fixed" – that is, it must be "sufficiently permanent or stable to permit it to be . . . reproduced." See 17 U.S.C. §§ 101, 102; *Medforms, Inc. v. Healthcare Mgmt. Solutions, Inc.*, 290 F.3d 98, 107 (2d Cir. 2002). See also *Lewis Galoob Toys v. Nintendo of Am.*, 964 F.2d 965, 967 (noting that "[a] derivative work must incorporate a protected work in some concrete or permanent 'form'"); *Micro Star v. FormGen, Inc.*, 154 F.3d 1107, 1111 n.4 (9th Cir. 1998) (noting, by way of example, that covering a television screen with pink cellophane, while modifying the appearance of the copyrighted program, would not create a derivative work "because it does not incorporate the modified image in any permanent or concrete form").

Wells Fargo & Co. at *104-*105 (ellipsis in original). The court concluded: "the WhenU advertisement does not create a work that is sufficiently permanent to be independently copyrightable, and hence does not create a derivative work." *Id.* at *106.

In *U-haul Intl. Inc. v. WhenU.com Inc.*, 279 F. Supp.2d 723 (E.D. Va. 2003), a different court examined WhenU's pop-up advertising and reached the same result. The court, like the court in *Wells Fargo*, held that in order for a work "to qualify as a derivative work it must be independently copyrightable." *U-Haul*, 279 F. Supp.2d at 731 (quoting *Woods v. Bourne*, 60 F.3d 978, 990 (2d Cir. 1995)). The court also noted: "The pop-up ad may modify the user's computer display; however, this modification does not constitute copyright infringement." *Id.*

Other cases, while not addressing fixation directly, have squarely rejected the argument, made by the Studios here, that copyright law sets different standards for derivative works depending on whether copyrightability or infringement is the issue. In *Woods v. Bourne Co.*, 60 F.3d 978, 990 (2d Cir. 1995), the Second Circuit plainly stated: “In order for a work to qualify as a derivative work it must be independently copyrightable.” The district court in *Lee v. Deck the Walls, Inc.*, 925 F. Supp. 576, 580 (N.D. Ill. 1996), followed the Second Circuit’s reasoning in *Woods* and rejected the suggestion that the Copyright Act contained two separate statutory definitions of “derivative work.” The district court in *Precious Moments, Inc., v. La Infantil, Inc.*, 971 F. Supp. 66, 68 (D.P.R. 1997), followed *Lee* and similarly rejected a “double standard regarding derivative works.”

Two decisions by the Ninth Circuit have approached the fixation issue somewhat differently, but they call for the same result in this case. The Studios acknowledge that in *Lewis Galoob Toys v. Nintendo of America*, 964 F.2d 965, 968 (9th Cir. 1992), the Ninth Circuit imposed a requirement that “[a] derivative work must incorporate a protected work in some concrete or permanent form.” Although the Studios argue that *Galoob* rejected a “fixation” requirement, the Studios candidly acknowledge that there is really no difference between fixation and incorporation in a “concrete or permanent form.” Studios’ Opposition at 35.

Galoob concerned a product called the “Game Genie” that allowed video game players temporarily to alter features of a Nintendo video game, such as how fast the game character could move, by supplying data to the Nintendo game system different from the data it would receive without the Game Genie. The Game Genie did not alter the data

stored in the original Nintendo game cartridge. Further, the Game Genie could not produce an audiovisual display on its own; it could only alter the audiovisual display produced by the Nintendo game system and cartridge. The Ninth Circuit held that Galoob's Game Genie software did not violate Nintendo's derivative work right. *Galoob*, 964 F.2d at 967.

Both the district court and the Ninth Circuit rejected Nintendo's argument that the Game Genie created audiovisual displays in violation of the derivative works right and held instead, that the Game Genie merely altered instructions to the Nintendo game system without creating any permanent or concrete derivative work. The district court noted that the Game Genie was "analogous in purpose, if not in technology, to skipping portions of a book, learning to speed read, fast-forwarding a video tape one has purchased in order to skip portions one chooses not to see, or using slow motion for the opposite reasons." *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 780 F. Supp. 1283, 1291 (N.D. Cal. 1991), *aff'd*, 964 F.2d 965 (9th Cir. 1992).

In affirming, the Ninth Circuit stated that the Game Genie was not a fixed or separate derivative work: "The Game Genie merely enhances the audiovisual displays (or underlying data bytes) that originate in Nintendo game cartridges. The altered displays do not incorporate a portion of a copyrighted work in some concrete or permanent form. . . . It cannot be a derivative work." *Galoob*, 964 F.2d at 968. Thus, the *Galoob* court held that embodiment in some permanent or concrete form was required in order for a derivative work to be considered infringing.

The Ninth Circuit used the language of "concrete or permanent form," which the Studios concede is indistinguishable from "fixation." Studios' Opposition at 35. While

the Ninth Circuit in *Galoob* struggled early in its opinion with whether fixation *per se* was a requirement for derivative works, it recognized that copyright law required some kind of permanence for infringing derivative works, and that intangible audiovisual displays were insufficient to satisfy this requirement.

The Studios seize upon *obiter dictum* in the *Galoob* decision stating that “fixation” is not required for an infringing derivative work, even though *Galoob* went on to require embodiment in “some concrete or permanent form.” The Studios ignore the actual holding of the *Galoob* decision.⁵ As Nimmer emphasizes, the court’s initial references to a bifurcated definition of infringing versus protectable derivative works constituted *dictum*, and “*Galoob v. Nintendo* does not squarely hold that infringement may occur through adaptation absent fixation.” 2 *Nimmer* § 8.09[A], at 8-140. To the extent this Court needs guidance from the Ninth Circuit in the face of clear statutory language, it should give effect to the actual holding of the *Galoob* decision, namely that the audiovisual displays viewed by the consumer could not be derivative works because they did not “incorporate a protected work in some concrete or permanent form.”

Galoob, 964 F.2d at 969.

Six years later, the Ninth Circuit revisited the issue in *Micro Star v. FormGen*, 154 F.3d 1107 (9th Cir. 1998), on which Studios rely. In *Micro Star*, the Ninth Circuit followed its holding in *Galoob* that embodiment of a protected work “in some concrete or permanent form” was required for infringing derivative works. See *Micro Star*, 154 F.3d

⁵ The Studios state that “several copyright treatises have criticized the *Galoob* court’s ‘permanent form’ requirement,” misleadingly citing to Nimmer for support. Studios’ Opposition at 35. In fact, the section the Studios quote from Nimmer actually discusses why the *Galoob* court’s statement that infringing derivative works do not require fixation is pure *dictum*. Nimmer notes that, if one follows the holding of the court that the Game Genie was not a derivative work because there was no permanent form, it is clear that fixation is a requirement for infringing derivative works. See 2 *Nimmer* § 8.09[A], at 8-140, 8-141.

at 1111. Thus, the Ninth Circuit has twice held that embodiment of a protected work in some permanent or concrete form is indeed a requirement for infringing derivative works.⁶ No court has held to the contrary.

The Studios stated, at page 36, that “[n]o other court in any other Circuit has applied the Ninth Circuit’s ‘concrete or permanent form’ requirement to find that no infringing derivative work was created.” In fact, the *U-Haul* and *Wells Fargo* cases, discussed above, referred to that standard in exonerating the defendants. *See U-Haul*, 279 F. Supp.2d at 731; *Wells Fargo*, 2003 U.S. Dist. LEXIS 20756 at *105. Moreover, the Studios sidestepped the fact that the Third Circuit applied the “concrete or permanent form” standard in a case where it found liability for an infringing derivative work. *See Dun & Bradstreet Software Servs. v. Grace Consulting, Inc.*, 307 F.3d 197, 210 (3d Cir. 2002).

In any event, in this case, whether one follows a “fixation” requirement for infringing derivative works or applies the equivalent “incorporat[ion] . . . in some concrete or permanent form” circumlocution adopted by the Ninth Circuit, it is notable that all courts that have examined the issue -- the Third Circuit, the Ninth Circuit, the Eastern District of Virginia, and the Eastern District of Michigan -- have come out the

⁶ The Studios cite two easily distinguishable cases in support of their argument that ClearPlay prepares derivative works, one of which only further confirms that fixation is required for infringing derivative works. The Studios cite *Dun & Bradstreet Software Servs. v. Grace Consulting*, 307 F.3d 197, 207-8 (3d Cir. 2002) where the defendant actually and literally *copied* and modified portions of plaintiff’s software code, and then re-sold such software as its own. The undisputed facts show that in contrast, ClearPlay does not copy any content from the Studios at all. Moreover, this case specifically cites that fixation is indeed a requirement for infringing derivative work, which the Studios ignore. *Id.* at 210. The Studios also cite *Midway Mfg. Co. v. Artic Int’l. Inc.*, 704 F.2d 1009 (7th Cir. 1983), *cert. denied*, 464 U.S. 823 (1983), another distinct case from the case at hand. The defendant in *Midway* manufactured circuit boards that either *replaced* the plaintiff’s original video game circuit board or *stored and reproduced* sounds and images identical to the sounds and images of the plaintiff’s video game. *Id.* at 1010-11. Here, the undisputed facts show that ClearPlay’s software products neither replace the Studios’ motion picture DVD, nor copy or store any content from the motion picture DVDs.

same way on the question of fixation, in ClearPlay's favor. The Second Circuit, Northern District of Illinois, and District of Puerto Rico have rejected the bifurcated standard for derivative works proposed by the Studios. The Studios have cited no case that supports their argument that neither fixation nor incorporation of protected content in "concrete or permanent form" is required.

**3. Sound Statutory Interpretation And Policy Dictate That
Fixation Be Required For Derivative Works.**

Bereft of support in the statutory language of the Copyright Act or in case law, the Studios turn to a single sentence in Congressional reports, which derived from a 1965 report from the Register of Copyrights, noting that "preparation of a derivative work, such as a ballet, pantomime, or improvised performance, may be an infringement even though nothing is ever fixed in tangible form" as support that Congress intended to exempt all infringing derivative works from the fixation requirement. Studios' Opposition at 27-28. Even if one were to consider this wisp of legislative history, the examples given, namely, ballets, pantomimes, and improvised performances, are all *performances* of some kind protected under the § 106(5) public performance right and need not be protected under the § 106(2) derivative works right. ClearPlay's filter files do not constitute public performances, and the Studios have not asserted infringement of the public performance right. Thus, this sentence from the legislative history is not even applicable to ClearPlay's software.⁷

⁷ The Studios ignore the plain meaning of the statute and attempt to blow up this fleeting remark in the House Report by citing to William Patry's treatise. Patry, however, merely repeats the legislative remark and provides no case law or policy reasoning for why this Court should pay any attention to a single unsupported remark in the legislative history. Further, Patry does not demonstrate that the statutory language is sufficiently ambiguous to justify resorting to the legislative history.

Further, when the plain meaning of the statute is clear and unambiguous, there is no need to look to the legislative history to resolve any ambiguity. As Nimmer states, the Copyright Act should be interpreted based on the plain meaning of the statute, and there is no reason to refer to the legislative history:

Most critically, notwithstanding the legislative history quoted above, it is difficult to reconcile two different definitions of ‘derivative works’ with the plain language of the Act. For Congress used that identical language both to define the reach of copyright protection and the scope of infringement. Disparate terms, with their concomitant for ambiguity, do not present themselves here; *there is accordingly no cause for resort to the legislative history to unravel any inconsistency*

2 Nimmer § 8.09[A], at 8-141 (emphasis added).

There are sound reasons for application of the statute as written, and the Studios provide no rationale for why this Court should ignore the plain statutory language and expand the derivative works right. Nimmer explains:

[S]ound policy counsels against departure from the statute’s plain language. We have previously seen that writing an entire poem in the sand before the tide does not infringe the reproduction right. It hardly makes sense to conclude that condensing the poem in order to reproduce 60% of it in the sand nonetheless infringes the separate right of preparing derivative works. Absent any compelling need to depart from the plain meaning of the statute, both doctrine and policy incline towards the same result: *One should give effect to the language of the Copyright Act itself rather than to some fleeting remarks in the legislative history. Therefore . . . fixation should be required to infringe the adaptation as well as the reproduction right.*

2 Nimmer 8.09[A], at 8-141, 8-142 (emphasis added).⁸

⁸ The Studios argue in a footnote that Nimmer’s poem in the sand example is not analogous because consumers may repeatedly view motion picture DVDs with ClearPlay’s filter files. However, the same is true of the poem in the sand. Once the consumer turns off the computer, the altered audiovisual display vanishes like the tide over the sand. While the consumer can turn the computer on again and activate the ClearPlay software to alter the experience of the motion picture DVD, one could also re-write the same poem in the sand before each tide that comes in.

Despite the Studios' clutching at a single straw from legislative history, both the statutory language and the existing case law on the issue are straightforward and clear: fixation is a prerequisite for derivative works for both protection and infringement purposes.

Copyright law protects and serves both copyright owners and the public. In order to maintain the balance that Congress intended, this Court should continue to require that the fundamental prerequisite of fixation be satisfied. Under the Studios' interpretation that fixation is not required for allegedly infringing derivative works, copyright owners would be able to sue for all types of activities that copyright law has never governed, such as a parent's condensation of a bedtime story read to a child or a consumer's use of the remote control to fast forward and rewind videotapes.

B. The Studios Cannot Demonstrate Any Evidence That The Alleged "Derivative Works" -- The Audiovisual Displays Caused When Consumers Apply ClearPlay Software While Playing Genuine DVDs on Their Own DVD Equipment -- Either Are Fixed or Embody a Protected Work "in Some Concrete or Permanent Form."

As discussed above, courts have unanimously held that fixation, or incorporation of a protected work in some permanent or concrete form, is a requirement for infringing derivative works. Recognizing that the temporary and fleeting audiovisual displays viewed by the consumer lack the required fixation, the Studios place all their bets on the unique application of the fixation prerequisite in *Micro Star v. FormGen, Inc.*, 154 F.3d 1107 (9th Cir. 1998). Invoking *Micro Star*, the Studios argue alternatively that the temporary audiovisual displays viewed by the consumer are fixed in ClearPlay's filter files. The Studios cannot show that ClearPlay's software incorporates audiovisual displays or meets the unique standard adopted by *Micro Star*. Further, the undisputed

facts demonstrate that ClearPlay's software filter files themselves do not incorporate any content from the Studios' motion pictures.

1. ***Micro Star* Held That Derivative Works Must Embody Protected Content in Some Concrete or Permanent Form And That "Exact, Down to The Last Detail" Descriptions of an Audiovisual Display Could Constitute an Embodiment of The Display in Some Concrete or Permanent Form.**

The Ninth Circuit in *Micro Star* did not create new rules to supplant its earlier holding in *Galoob*; it applied *Galoob* to the very specific facts before it and confirmed that embodiment in some concrete or permanent form was indeed a prerequisite for infringing derivative works. *Micro Star*, 154 F.3d at 1110-12.

In the context of software involving audiovisual displays, the *Micro Star* court applied a standard based on sheet music, requiring "exact, down to the last detail" descriptions of the audiovisual display in the software, to determine whether computer software constituted an embodiment of an audiovisual display "in some concrete or permanent form." *Micro Star*, 154 F.3d at 1111.

In that case, FormGen sold a computer game called Duke Nukem 3D ("D/N-3D"), which allowed users to build their own "levels" of the game to share with other players on the Internet. FormGen's game system consisted of three parts: the game engine, the source art library, and the MAP files of different game levels. The original MAP files were explicit and elaborate instructions to the game engine detailing what images to retrieve from the source art library and place on the audiovisual display. *Micro Star* collected 300 user-created levels of the Duke Nukem game onto a CD-ROM and sold the collection as "Nuke It." ("N/I"). *Micro Star*'s Nuke It MAP files acted as a *replacement* for FormGen's original MAP files of game levels causing the game engine to follow *Micro Star*'s MAP files of user-created game levels in lieu of FormGen's. FormGen sued

Micro Star for direct copyright infringement of the Duke Nukem 3D game. *Micro Star*, 154 F.3d at 1109-10.

The Ninth Circuit found Micro Star liable for violating FormGen's derivative work right. After reiterating the *Galoob* holding, the court stated:

This raises the interesting question whether an exact, down to the last detail, description of an audiovisual display (and -- by definition -- we know that MAP files do describe audiovisual displays down to the last detail) counts as a permanent or concrete form for purposes of *Galoob*. We see no reason it shouldn't. What, after all, does sheet music do but describe in precise detail the way a copyrighted melody sounds? Similarly, the N/I MAP files describe the audiovisual display that is to be generated when the player chooses to play the D/N-3D using the N/I levels. Because the audiovisual displays assume a concrete or permanent form in the MAP files, *Galoob* stands as no bar to finding that they are derivative works.

Micro Star, 154 F.3d at 1111-12 (citation omitted). Thus, *Micro Star* set forth an extremely high standard -- a "sheet music" standard -- for how detailed a description must be before it constitutes the requisite "concrete or permanent form" of an audiovisual display and, thus, an infringing derivative work.⁹

2. The Undisputed Facts Show ClearPlay Does Not Create Derivative Works Under The Sheet-Music or "Exact, Down to The Last Detail Description" Test of *Micro Star*.

The Studios cannot show that ClearPlay's software products meet the test applied for derivative works in *Micro Star* or that ClearPlay's products are like the "sheet music" of an infringing derivative work. While the replacement MAP files in *Micro Star* described the audiovisual displays in exact detail, as sheet music describes a song, ClearPlay's software filter files do not describe the displays of the Studios' films at all, much less in the exact and painstaking detail required under *Micro Star*. Nor does

⁹ The *Micro Star* decision was somewhat strained as the Ninth Circuit faced a direct infringement claim instead of a contributory infringement claim. The Studios exploit *Micro Star* in their muddling of the

ClearPlay's software describe any replacement content as *Micro Star*'s software did. ClearPlay's filter files are mere timing codes of skip and mute instructions and do not describe the audiovisual displays. Recognizing that ClearPlay's filter files are completely distinct from the MAP files in *Micro Star*, the Studios rely on mischaracterizations of undisputed facts in a desperate attempt to analogize ClearPlay to *Micro Star*.

First, the Studios wrongly argue that the time code instructions in the filter files are used to "conjure up a specific visual image or portion of dialogue." Studios' Opposition at 45. Undisputed facts demonstrate otherwise. The time code instructions in the filter files do not "conjure up" or describe any content from the motion picture DVDs; they cause skipping and muting based on time codes that correspond mechanically to certain portions of the motion picture DVD. See Declaration of Lee Jarman, ¶¶ 13-15, attached as Exhibit A-3 to the Player Control Parties' Corrected Opening Brief in Support of Motion for Summary Judgment. While in *Micro Star* the replacement MAP files by definition were supposed to include detailed descriptions and compose a "map" or picture of the audiovisual display, here, the filter files by definition consist solely of skip and mute instructions that come nowhere close to the high standard of detail that sheet music provides.

In fact, the same distinctions made by the Ninth Circuit in *Micro Star* to distinguish the facts of *Micro Star* from *Galoob* apply to ClearPlay's filter files:

Whereas the audiovisual displays created by the Game Genie were never recorded in any permanent form, the audiovisual displays generated by D/N-3D from the N/I MAP are in the MAP files themselves. In *Galoob*, the audiovisual display was defined by the original game cartridge, not by the Game Genie; no one could possibly say that the data values inserted by the Game Genie

boundary between direct and contributory infringement, but in any event, the "exact, down to the last detail, description" or "sheet music" standard set forth by the Ninth Circuit does not exist in this case.

described the audiovisual display. In the present case the audiovisual display that appears on the computer monitor when a N/I level is played is described -- in exact detail -- by a N/I MAP file.

Micro Star, 154 F.3d at 1111.

In *Galoob*, the use of the Game Genie in conjunction with an original Nintendo game temporarily altered, but did not describe, the audiovisual display. The original game cartridge defined the audiovisual display. That is directly parallel to this case where the use of ClearPlay's software products in conjunction with a genuine motion picture DVD temporarily alters the audiovisual displays by skipping and muting, but the products do not describe the displays. The display is defined by the motion picture DVD. As in *Galoob*, no one could possibly say that the time codes in the filter files describe the audiovisual display, much less in an "exact, down to the last detail description."

Next, realizing that the filter files do not meet the sheet-music standard set forth in *Micro Star*, the Studios claim that ClearPlay is still similar to *Micro Star* in its "overall operation." Studios' Opposition at 42. The Studios erroneously argue that this case involves a 3-part system as in *Micro Star*, namely, ClearPlay's filtering application, ClearPlay's filter files, and the Studios' genuine motion picture DVD. This analogy fails because consumers must also own the DVD hardware equipment and standard DVD decoder software in order to view a motion picture DVD, whether or not ClearPlay software products are used. Significantly, in *Micro Star*, the defendant's MAP files *replaced one part of the system, namely, the original game's MAP files* in order to tell a new story, while ClearPlay's software does not replace content in the motion picture DVD. *See Micro Star*, 154 F.3d at 1112.

The Studios also try to align this case with *Micro Star* and away from *Galoob* on the irrelevant points that the portions of playback to be skipped and muted are selected by ClearPlay and that each consumer theoretically views the same altered playback. First, the holding in *Micro Star* did not turn on whether consumers viewed consistently altered audiovisual displays but whether the displays were fixed in permanent form through “exact, down to the last detail” descriptions (like sheet music).

Further, regardless of who selects the portions to be skipped and muted, like those of the Game Genie, the effects of the ClearPlay software are temporary and disappear once the ClearPlay software is deactivated, and the original DVD is unaltered.

Finally, the Studios claim that ClearPlay’s filter files are derivative works because they correspond to specific motion picture DVDs. However, the *Galoob* court specifically recognized that though the Game Genie was based upon the Nintendo game’s output, it was still not a derivative work. The Court stated, “The Game Genie is useless by itself; it can only enhance, and cannot duplicate, a Nintendo game’s output. Such innovation rarely will constitute derivative works under the Copyright Act.” *Galoob*, 964 F.2d at 969. Thus, corresponding to or referring to another work is irrelevant to the analysis.¹⁰ Although the Studios make distracting arguments, when the smoke clears, the inescapable fact remains that ClearPlay’s software simply does not satisfy the “exact, down to the last detail” test in *Micro Star*.

¹⁰ The Studios also argue that ClearPlay’s software is dissimilar to the *Micro Star* court’s “pink screener” example, which discussed the non-infringing nature of a pink screen held over a display to alter the appearance of a work. The “pink screener” did not correspond directly to a specific work. However, the *Galoob* court’s point with the pink screener was that the *underlying work was not altered*, and any effects of the pink screener were temporary so the Game Genie was like a “fancy pink screener.” Indeed, the filter files only temporarily modify the audiovisual display, and do not affect the underlying motion picture DVD. Whether the “pink screener” was or was not tailored to a specific work was irrelevant to the analysis. See *Micro Star v. FormGen*, 154 F.3d 1107, 1111 n.4 (9th Cir. 1998).

V. THE STUDIOS CANNOT RAISE A MATERIAL ISSUE OF FACT REGARDING CLEARPLAY'S ALLEGED INFRINGEMENT OF THE DISTRIBUTION RIGHT.

The Studios have sketchily referred to their claim as also involving the copyright owner's exclusive distribution right under Section 106(3). That right is specifically "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending." 17 U.S.C. § 106(3). They have not supported this theory in their brief and appear to have waived it in the present motion. In any event, it is clear that they do not allege distribution of "copies or phonorecords of the copyrighted work," but distribution of alleged "derivative works." *See* Motion Picture Studio Defendants' Statement Clarifying Claims at 4. Thus their claim under Section 106(3) collapses into, and falls with, their "derivative works" claim under Section 106(2). The Court should therefore grant summary judgment to ClearPlay on this theory as well.

CONCLUSION

ClearPlay cannot be liable for direct infringement for altered playback of motion picture DVDs caused by consumers using ClearPlay's software. ClearPlay's filtering software and filter files consisting of timing data for muting and skipping portions of the motion picture DVD playback are not derivative works. For these reasons, ClearPlay

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respectfully requests that this Court grant it summary judgment on the Studio's copyright claims.

Respectfully submitted,

WILSON SONSINI GOODRICH & ROSATI

Dated: December 14, 2003



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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Civil Action No. 02-M-1662 (MJW)

ROBERT HUNTSMAN, et al.,

Plaintiffs and Counterclaim Defendants,

v.

STEVEN SODERBERGH, et al.,

Defendants and Counterclaimants.

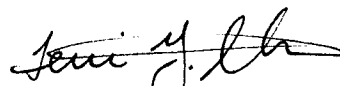
**DECLARATION OF TERRI Y. CHEN IN SUPPORT OF CLEARPLAY INC.'S
REPLY BRIEF IN SUPPORT OF THE PLAYER CONTROL PARTIES'
MOTION FOR SUMMARY JUDGMENT ON THE STUDIOS' COPYRIGHT
CLAIMS**

I, Terri Y. Chen, hereby declare as follows:

1. I am an attorney at Wilson Sonsini Goodrich & Rosati, counsel of record for ClearPlay Inc. ("ClearPlay"). I submit this declaration in support of ClearPlay's Reply Brief in Support of the Player Control Parties' Motion for Summary Judgment on the Studios' Copyright Claims. I have personal knowledge of the facts set forth in this Declaration, and if called to testify, could and would testify thereto.
2. Attached as Exhibit 1 is a true and correct copy of a letter dated May 28, 2003 from Jennifer Golinveaux, counsel for ClearPlay, producing non-confidential documents to the Director and Studio Parties' document depository pending the entry of a protective order.
3. Attached as Exhibit 2 is a true and correct copy of a letter dated June 10, 2003 from Jennifer Golinveaux, counsel for ClearPlay, producing confidential and highly confidential documents to the Director and Studio Parties' document depository.
4. Attached as Exhibit 3 is a true and correct copy of a letter dated June 11, 2003 from Jennifer Golinveaux, counsel for ClearPlay, producing highly confidential source code for ClearPlay software and unencrypted filter files to the Director and Studio Parties' document depository.
5. Attached as Exhibit 4 is a true and correct copy of a letter dated June 19, 2003 from Terri Chen, counsel for ClearPlay, producing highly confidential patent applications to the Director and Studio Parties' document depository.
6. Attached as Exhibit 5 is a true and correct copy of a letter dated July 3, 2003 from Jennifer Golinveaux, counsel for ClearPlay, producing highly confidential source code to ClearPlay's internal screening application to the Director and Studio Parties' document depository.
7. Attached as Exhibit 6 is a true and correct copy of a letter dated July 9, 2003 from Jennifer Golinveaux, counsel for ClearPlay, producing written agreements

between ClearPlay and independent contractors to the Director and Studio Parties' document depository.

I declare under penalty of perjury that the foregoing is true and correct to the best of my information and belief. This declaration is executed on December 14, 2003 at Palo Alto, California.

A handwritten signature in cursive script, appearing to read "Terri Y. Chen", written over a horizontal line.

Terri Y. Chen

CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of December, 2003 a true and correct copy of:

- (1) **CLEARPLAY INC.'S REPLY BRIEF IN SUPPORT OF THE PLAYER CONTROL PARTIES' MOTION FOR SUMMARY JUDGMENT ON THE DIRECTOR PARTIES' CLAIMS; and**
- (2) **CLEARPLAY INC.'S REPLY BRIEF IN SUPPORT OF THE PLAYER CONTROL PARTIES' MOTION FOR SUMMARY JUDGMENT ON THE STUDIOS' COPYRIGHT CLAIMS**

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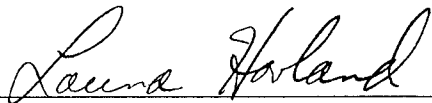
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