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ENTERED
CLERK, U.S. DISTRICT COURT
AUG 16 2002
CENTRAL DISTRICT OF CALIFORNIA
BY [Signature]

FILED
CLERK US DISTRICT COURT
AUG 15 2002
CENTRAL DISTRICT OF CALIFORNIA
DEPUTY
BY [Signature]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CRAIG NEWMARK, et al.,

Plaintiffs,

vs.

TURNER BROADCASTING
NETWORK, et al.,

Defendants.

CV 02-04445 FMC (Ex)

ORDER DENYING MOTION TO
DISMISS; ORDER DENYING
MOTION TO STAY; ORDER
GRANTING MOTION TO
CONSOLIDATE

This matter is before the Court on Defendants' Motion to Dismiss or, Alternatively, to Stay Proceedings, and Plaintiffs' Motion to Consolidate. These matters were heard on August 12, 2002, at which time the parties were in receipt of the Court's tentative order. For the reasons set forth below, the Court **hereby denies** the Motion to Dismiss (docket #43-1), **hereby denies** the Motion to Stay (docket #43-2), and **hereby grants** the Motion to Consolidate (docket #45).

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1 **I. Background**

2 The parties are well-acquainted with the nature of the present action and
3 *Paramount Pictures Corporation v. RePlayTV, Inc.*, No. 02-04445 FMC (Ex) (“the
4 *RePlayTV* action”), which are only briefly described below.

5 **A. The *RePlayTV* Action**

6 Plaintiffs in the *RePlayTV* action are a number of television and film
7 companies in the entertainment industry.¹ Defendants in the *RePlayTV* action
8 are SONICblue, Inc. (“SONICblue”), and its wholly owned subsidiary,
9 RePlayTV, Inc (“RePlayTV”).²

10 The factual allegations in the *RePlayTV* action center on the development
11 and sale by RePlayTV of a digital video recorder: the RePlayTV 4000 series.
12 The digital video recorder, or DVR, enables television viewers to make digital
13 copies of copyrighted television programs. The DVRs are equipped with
14 commercial-skipping features, and they may be used to send copies of televised
15 programs (or “content”) to other RePlayTV owners via high-speed internet
16 connections.

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19 ¹ Specifically, the Plaintiffs in the *RePlayTV* action are Paramount Pictures Corp.
20 (“Paramount”); Disney Enterprises, Inc. (“Disney”); National Broadcasting Company
21 (“NBC”); NBC Studios, Inc. (“NBC Studios”); Showtime Networks, Inc. (“Showtime”); The
22 United Paramount Network (“UPN”); ABC, Inc. (“ABC”); Viacom International, Inc.
23 (“Viacom”); CBS Worldwide, Inc. (“CBS Worldwide”); CBS Broadcasting, Inc. (“CBS”); Time
24 Warner Entertainment Company, L.P. (“TWE”); Home Box Office (“HBO”); Warner Brothers
25 (“Warner Brothers”); Warner Brothers Television (“WBT”); Time Warner, Inc. (“TWI”);
26 Turner Broadcasting System, Inc. (“Turner Broadcasting”); New Line Cinema Corp. (“New
27 Line”); Castle Rock Entertainment (“Castle Rock”); The WB Television Network Partners,
28 L.P. (“WBT Network”); Metro-Goldwyn-Mayer Studios, Inc. (“MGM”); Orion Pictures Corp.
29 (“Orion”); Twentieth Century Fox Film Corp. (“Fox”); Universal City Studios Productions,
30 Inc. (“Universal”); Fox Broadcasting Co. (“FBC”); Columbia Pictures Industries, Inc.
31 (“Columbia Industries”); Columbia Pictures Television (“Columbia Television”); Columbia
32 Tristar Television (“CTTV”); and TriStar Television, Inc. (“TriStar Television”).

33 ² Throughout this Order, the Court will refer to SONICblue, Inc., and RePlayTV, Inc.,
34 collectively as “RePlayTV.”

1 The Plaintiffs in the *RePlayTV* action have asserted claims against
2 SONICblue and RePlayTV based on, *inter alia*, contributory and vicarious
3 copyright infringement. These claims are based on the alleged direct copyright
4 infringement committed by the owners of the RePlayTV DVRs. (*See, e.g.,*
5 *Paramount Compl.*, No. 01-09358, ¶ 64 (regarding contributory infringement);
6 ¶ 71 (regarding vicarious infringement)).

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8 **B. The *Newmark* Action**

9 Five owners of RePlayTV DVRs have filed the present declaratory relief
10 action in this Court.

11 All the twenty-eight plaintiffs in the *RePlayTV* action are defendants in
12 the present action, which the Court refers to as the *Newmark* action.
13 Throughout this Order, the Court refers to these defendants as “the
14 Entertainment Defendants.” SONICblue and RePlayTV are defendants in the
15 present action as well.

16 The factual allegations in the Complaint reveal that the *Newmark*
17 Plaintiffs use the units to record content for later viewing;³ some of the
18 Plaintiffs transfer content to laptop computers for viewing while traveling.
19 Plaintiffs use the commercial-skipping features of the RePlayTV DVRs; at least
20 one Plaintiff uses the commercial-skipping features to control the advertising
21 to which his children are exposed.

22 The *Newmark* Plaintiffs seek a declaration as to whether their activities
23 constitute copyright infringement.

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 ³ This use is referred to as “time-shifting.”

1 **II. Motion to Dismiss**

2 The Entertainment Defendants move to dismiss the *Newmark* Plaintiffs’
3 claims, arguing that the claims do not present an actual “case or controversy”
4 as required by the Declaratory Judgment Act, 28 U.S.C. § 2201, and Article III
5 of the United States Constitution. If the *Newmark* Plaintiffs’ claims do not
6 present an actual “case or controversy”, the Court lacks subject matter
7 jurisdiction over the matter, and the claims must be dismissed. See *Mason v.*
8 *Genisco Technology Corp.*, 960 F.2d 849, 853 (9th Cir. 1991).

9 A motion to dismiss an action for lack of subject matter jurisdiction is
10 properly brought under Fed. R. Civ. P. 12(b)(1). The objection presented by this
11 motion is that the court has no authority to hear and decide the case. When
12 considering a Rule 12(b)(1) motion challenging the substance of jurisdictional
13 allegations, the Court is not restricted to the face of the pleadings, but may
14 review any evidence, such as declarations and testimony, to resolve any factual
15 disputes concerning the existence of jurisdiction. See *McCarthy v. United States*,
16 850 F.2d 558, 560 (9th Cir. 1988), *cert. denied*, 489 U.S. 1052, 109 S. Ct. 1312
17 (1989). The burden of proof on a Rule 12(b)(1) motion is on the party asserting
18 jurisdiction. See *Sopcak v. Northern Mountain Helicopter Serv.*, 52 F.3d 817, 818
19 (9th Cir. 1995).

20 The present motion presents a novel issue: Does a plaintiff present an
21 actual “case or controversy” under the Declaratory Judgment Act and Article
22 III where the plaintiff’s conduct is alleged, in a separate action against a third
23 party for contributory and/or vicarious copyright infringement, to be direct
24 copyright infringement? The parties have cited no authority that discusses the
25 actual “case or controversy” requirement in the context of this unique factual
26 scenario, and the Court, in its own research, has found none.

27 Nevertheless, both the Entertainment Defendants and the *Newmark*
28 Plaintiffs cite a number of cases that are instructive on this issue, from which

1 the Court concludes that the *Newmark* Plaintiffs have presented an actual “case
2 or controversy.”

3 The Declaratory Judgment Act permits a federal court to “declare the
4 rights and other legal relations” of parties to “a case of actual controversy.” 28
5 U.S.C. § 2201. This “actual controversy” requirement is the same as the “case
6 or controversy” requirement of Article III of the United States Constitution.
7 *See Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239-40, 57 S. Ct. 461, 463 (1937).
8 Therefore, the question of justiciability, and therefore of subject matter
9 jurisdiction, is the same under § 2201 as it is under Article III.

10 The United States Supreme Court has given guidance as to when “an
11 abstract” question becomes a “controversy” under the Declaratory Judgment
12 Act:

13 The difference between an abstract question and a “controversy”
14 contemplated by the Declaratory Judgment Act is necessarily one
15 of degree, and it would be difficult, if it would be possible, to
16 fashion a precise test for determining in every case whether there
17 is such a controversy. Basically, the question in each case is
18 whether the facts alleged, under all the circumstances, show that
19 there is a substantial controversy, between parties having adverse
20 legal interests, of sufficient immediacy and reality to warrant the
21 issuance of a declaratory judgment.

22 *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273, 61 S. Ct. 510,
23 512 (1941).

24 Applying this standard, the Ninth Circuit has held that something less
25 than an “actual threat” of litigation is required to meet the “case or controversy”
26 requirement; instead, courts must focus on whether a declaratory plaintiff has
27 a “reasonable apprehension” that he or she will be subjected to liability. *Societe
28 de Conditionnement en Aluminium v. Hunter Engineering Co., Inc.*, 655 F.2d 938,

1 944 (9th Cir. 1981). In *Societe*, the court first noted that the parties' assumption
2 that a declaratory plaintiff must be subject to an "actual threat" was incorrect:

3 We infer from the arguments of the parties that they agree that an
4 actual threat of litigation must be made by the [declaratory
5 defendant] for a case or controversy to exist. We assume that the
6 district court applied this standard in reaching its decision. We
7 conclude that the Constitution has a much lower threshold than
8 this standard would suggest.

9 *Id.* The Ninth Circuit then went on to hold that the determination of whether
10 a case or controversy exists must focus on the reasonable apprehension of the
11 declaratory plaintiff:

12 A better way to conceptualize the case or controversy
13 standard is to focus on the declaratory judgment plaintiff. An
14 action for a declaratory judgment that a patent is invalid, or that
15 the plaintiff is not infringing, is a case or controversy if the plaintiff
16 has a real and reasonable apprehension that he will be subject to
17 liability if he continues to manufacture his product.

18 *Id.*

19 Other cases make it clear that no explicit threat of litigation is required
20 to meet the "case or controversy" requirement. *See also K-Lath v. Davis Wire*
21 *Corp.*, 15 F. Supp. 2d 952 (C.D. Cal. 1998) (noting that a plaintiff seeking
22 declaratory judgment must show "an explicit threat or *other action*" that creates
23 a reasonable apprehension that the plaintiff will face an infringement suit)
24 (emphasis added); *Intellectual Property Development v. TCI Cablevision of*
25 *California, Inc.*, 248 F.3d 1333, 1340 (Fed. Cir. 2001) ("other action" is
26 sufficient), *cert. denied*, __ U.S. __, 122 S. Ct. 216 (2001); *Guthy-Renker Fitness v.*
27 *Icon Health & Fitness, Inc.*, 179 F.R.D. 264 (C.D. Cal. 1998) (same).

28 The Entertainment Defendants argue that the *Newmark* Plaintiffs cannot

1 have a reasonable apprehension that they will face liability based on their use
2 of their RePlayTV DVRs. The Entertainment Defendants contend that did not
3 even know about the *Newmark* Plaintiffs until they filed this action, and that
4 they did not name any individual Doe defendants in the *RePlayTV* action and
5 point out that they make these allegations only because these allegations are
6 necessary to state a claim against RePlayTV for contributory and vicarious
7 copyright infringement.

8 However, the *Newmark* Plaintiffs argue persuasively that a victory by the
9 Entertainment Defendants in the *RePlayTV* action will necessarily require a
10 determination that the activities of the owners constitute direct copyright
11 infringement, thereby instilling in them a reasonable apprehension that they
12 will be subject to liability.

13 When viewed from the perspective of the *Newmark* Plaintiffs, the
14 Entertainment Defendants' allegations in the *RePlayTV* action are sufficient to
15 raise a reasonable apprehension that they will be subject to liability. The
16 Complaints in the *RePlayTV* action allege that the actions of the *Newmark*
17 Plaintiffs (and other RePlayTV DVR owners) constitute direct copyright
18 infringement. Of course, the Entertainment Defendants must allege these facts
19 to support their claims of contributory and vicarious copyright infringement
20 against RePlayTV. But the fact remains that the Entertainment Defendants
21 have, with a great deal of specificity, accused the *Newmark* Plaintiffs (and other
22 RePlayTV DVR owners) of infringing the Entertainment Defendants'
23 copyrights, and have demonstrated the will to protect copyrights through
24 litigation. These facts raise a reasonable apprehension on the part of the
25 *Newmark* Plaintiffs. This is especially so because that it appears from the
26 Complaint in the *Newmark* action that the *Newmark* Plaintiffs are continuing
27 to use their RePlayTV DVRs in a manner that the Entertainment Defendants
28 allege constitutes infringing activity.

1 federal courts competence to make a declaration of rights; it did not impose a
2 duty to do so.” *Public Affairs Associates, Inc. v. Rickover*, 369 U.S. 111, 112, 82 S.
3 Ct. 580 (1962). “A declaratory judgment, like other forms of equitable relief,
4 should be granted only as a matter of judicial discretion, exercised in the public
5 interest.” *Id.*

6 The Supreme Court not surprisingly has noted, however, that the refusal
7 to exercise its discretion must be principled and reasonable, and should be
8 articulated: “Of course a District Court cannot decline to entertain such an
9 action as a matter of whim or personal disinclination.” *Id.*

10 This Court considers a number of factors in determining whether a stay
11 should be granted. The factors enunciated in *Brillhart v. Excess Insurance*
12 *Company of America*, 316 U.S. 491, 62 S. Ct. 1173 (1942), are meaningful when
13 the underlying action is a state action, rather than where, as here, the
14 underlying action is proceeding in the same forum. *Brillhart* requires federal
15 courts to 1) avoid needless determinations of state law issues, 2) discourage
16 forum shopping, and 2) avoid duplicative litigation. These factors are not
17 particularly helpful to the Court’s analysis in this case. *Id.*

18 The Ninth Circuit has noted, however, that the *Brillhart* factors are not
19 exhaustive. See *Government Employees Insurance Co. v. Dizol*, 133 F.3d 1220,
20 1225 n.5 (9th Cir. 1998). Other factors to be considered by the Court are
21 1) whether the declaratory action will settle all aspects of the controversy;
22 2) whether the declaratory action will serve a useful purpose in clarifying the
23 legal relations at issue; 3) whether the declaratory action is being sought merely
24 for the purposes of procedural fencing or to obtain a “res judicata” advantage;
25 and 4) whether the use of a declaratory action will result in entanglements
26 between the federal and state court systems. *Id.*

27 The fourth factor, like the *Brillhart* factors, is inapplicable here.

28 The first and second factor appear to the Court to be interrelated, and to

1 weigh in favor of denying a stay. The argument in favor of a stay is that all the
2 issues presented in the *Newmark* action will necessarily be resolved by the
3 *RePlayTV* action. However, the Court is persuaded that the *Newmark* Plaintiffs
4 may be correct that the *RePlayTV* action will not necessarily resolve what
5 specific uses, if any,⁴ of the RePlayTV DVR constitute fair use.⁵ Denying the
6 stay furthers the purpose of the first and second factors — to resolve the
7 uncertainties in the relations between the parties. The rationale behind these
8 factors are better served by permitting the *RePlayTV* action and the *Newmark*
9 action to proceed simultaneously.

10 Despite the Entertainment Defendants’ argument, the Court is
11 unconvinced that the *Newmark* action constitutes “procedural fencing.” The
12 Entertainment Defendants contend that the *Newmark* Plaintiffs’ true intent is
13 to circumvent the intervention requirements of Fed. R. Civ. P. 24 and to, in
14 effect, intervene in the *RePlayTV* action. The Court is persuaded, however, that
15 the *Newmark* Plaintiffs could well meet the intervention requirements of Fed.
16 R. Civ. P. 24(a).⁶ The *Newmark* Plaintiffs claim an interest in the transaction
17 at issue, and are so situated that the resolution of the *RePlayTV* action may as

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19 ⁴ The *RePlayTV* action is in its early stages. At this time, the Court expresses no
20 opinion as to the merits of the claims advanced in the *RePlayTV* action.

21 ⁵ The Court recognizes that resolution of the *RePlayTV* action may significantly narrow
22 the issues presented in the *Newmark* action.

23 ⁶ Rule 24(a) of the Federal Rules of Civil Procedure provides:

24 Upon timely application anyone shall be permitted to intervene in an action: . . .
25 (2) when the applicant claims an interest relating to the property or transaction
26 which is the subject of the action and the applicant is so situated that the
27 disposition of the action may as a practical matter impair or impede the
applicant’s ability to protect that interest, unless the applicant’s interest is
adequately represented by existing parties.

28 *Id.*

1 a practical matter impair or impede their ability to protect that interest.⁷ The
2 Court is persuaded that although RePlayTV's interests and the interests of the
3 *Newmark* Plaintiffs overlap significantly, those interests are not perfectly
4 aligned. The *Newmark* Plaintiffs' interests are focused on whether specific
5 uses constitute "fair use" under copyright law; RePlayTV's interests (and legal
6 defenses) are likely to venture beyond the fair use doctrine. Therefore, the
7 Court rejects the Entertainment Defendants' argument that the *Newmark*
8 Plaintiffs' true intent is to circumvent the intervention requirements of Fed. R.
9 Civ. P. 24, and that their actions constitute mere "procedural fencing".

10 The Court concludes that the factors set forth in *Dizol* favor a denial of
11 a stay.

12 The Court has also considered whether a stay will serve the public
13 interest. See *Rickover*, 369 U.S. at 112. The Court recognizes that any
14 unnecessary delay in adjudicating the rights of the *Newmark* Plaintiffs may chill
15 their use of their RePlayTV DVRs. Similarly, any unnecessary delay may also
16 lead to increased liability for statutory damages under federal copyright law.
17 See 17 U.S.C. § 504(c)(1) (authorizing statutory damages for each non-willful
18 violation of no less than \$750 and no more than \$30,000). Additionally, the
19 Court is persuaded that denying the stay may result in a more fully developed
20 factual record regarding the consumers' uses of the RePlayTV DVR and, as a
21 result, the Court may be better able to fashion an appropriate equitable relief.
22 The Court agrees that the public interest would not be served by the granting
23 of a stay.

24 Accordingly, the Court **hereby denies** the Motion to Stay.

27 ⁷ For instance, the *Newmark* Plaintiffs' ability to protect their interest in using their
28 RePlayTV DVRs would be impaired if the Court were to order that RePlayTV disable the
send-show and commercial skipping features of the DVRs.

1 **IV. Motion to Consolidate**

2 The Federal Rules of Civil Procedure authorize consolidation of cases in
3 appropriate circumstances:

4 When actions involving a common question of law or fact are
5 pending before the court, it may order a joint hearing or trial of any
6 or all the matters in issue in the actions; it may order all the actions
7 consolidated; and it may make such orders concerning proceedings
8 therein as may tend to avoid unnecessary costs or delay.

9 Fed. R. Civ. P. 42(a).

10 Under this standard, it is clear to the Court that the *Newmark* action
11 should be consolidated with the *RePlayTV* action. The actions involve
12 common questions of law and fact. Both actions involve a determination of
13 whether the use of certain features of the RePlayTV DVR constitutes copyright
14 infringement. Both cases are at the early stage of litigation, which facilitates
15 consolidation, at least for discovery and pretrial purposes.⁸

16 The Entertainment Defendants argue that the actions should not be
17 consolidated. They correctly contend that the issues presented in the *Newmark*
18 action — whether the specific uses of the *Newmark* Plaintiffs constitute fair use
19 — is narrower than the issues presented in the *RePlayTV* action. From this
20 fact, the Entertainment Defendants conclude that the *Newmark* action will be
21 more quickly and efficiently resolved if it is not consolidated with the
22 *RePlayTV* action. Nevertheless, there is no question that the issue of whether
23 the *Newmark* Plaintiffs' use of the RePlayTV DVRs' send-show and
24 commercial-skipping features constitutes fair use will most likely figure
25 prominently in both the *RePlayTV* action and the *Newmark* action. The Court

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28 ⁸ The Court reserves for another day the issue of whether these actions should be consolidated for trial.

1 is unconvinced that the Entertainment Defendants' are correct in
2 characterizing the *Newmark* action as a case that will require little discovery and
3 that will be resolved quickly if not consolidated. The issue of fair use has
4 yielded a great deal of discovery in the *RePlayTV* action, and promises to do the
5 same in this action.⁹

6 The Entertainment Defendants also claim that the *Newmark* Plaintiffs,
7 in seeking consolidation, are merely attempting to gain unfettered access to
8 discovery documents, and to widen the scope of discovery in *RePlayTV* action.
9 That a party may seek discovery of irrelevant documents is a danger in any
10 litigation; this concern is not unique to consolidated cases. There are
11 procedural protections in place that assist parties in guarding against a party
12 obtaining that irrelevant discovery. The Entertainment Defendants are well
13 versed in seeking such protection. The Court does not at this time resolve
14 issues regarding the scope of discovery; rather, the Court merely notes that the
15 Entertainment Defendants' concerns regarding access to discovery do not
16 persuade the Court that consolidation is inappropriate.

17 In reaching this conclusion, the Court is guided by the agreement of the
18 *Newmark* Plaintiffs' counsel to abide by the terms of the multi-tiered protective
19 order to which the parties stipulated in the *RePlayTV* action.

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21 ⁹ Part of the Entertainment Defendants' Opposition to the Motion for Consolidation
22 addresses the scope of discovery to which the *Newmark* Plaintiffs would be entitled. They
23 contend that consolidation will unnecessarily complicate the *RePlayTV* action because the
24 *Newmark* Plaintiffs will not be entitled to as broad a range of discovery as *RePlayTV* was found
25 to be entitled to. The Entertainment Defendants similarly argue that the depositions of the
26 Entertainment Defendant representatives would be unnecessarily complicated as *RePlayTV*
27 would attempt to question these representatives using documents obtained in discovery in the
28 *RePlayTV* action. This would cause the Entertainment Defendants to halt the depositions
every few moments to discuss whether the *Newmark* Plaintiffs should be entitled to access to
discovery provided in the *RePlayTV* action.

27 The Court leaves the determination of the precise scope of discovery to the Magistrate
28 Judge. At this stage of the proceeding, the Court is satisfied that the issue of fair use is present
in both actions, and therefore finds the Entertainment Defendant's arguments unpersuasive.

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V. Conclusion

For the reasons set forth above, the Court **hereby denies** the Motion to Dismiss (docket #43-1), **hereby denies** the Motion to Stay (docket #43-2), and **hereby grants** the Motion to Consolidate (docket #45). For ease of recordkeeping, the Court **orders** that all further documents be filed under Case No. CV 01-09358, and that Case No. CV 02-04445 be closed.

Dated: August 15, 2002


FLORENCE-MARIE COOPER, JUDGE
UNITED STATES DISTRICT COURT